

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

TERRESTAR CORP

CIK: **913665** | IRS No.: **930976127** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-33546** | Film No.: **10998476**
SIC: **4899** Communications services, nec

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 001-33546

TERRESTAR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

93-0976127
(I.R.S. Employer
Identification No.)

12010 Sunset Hills Road, 6th Floor, Reston, VA
(Address of Principal Executive Offices)

20190
(Zip Code)

703-483-7800

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Common Stock, \$0.01 par value
(Title of Each Class)

The NASDAQ Global Market
(Name of Each Exchange on Which Registered)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding at August 2, 2010: 139,466,034

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Caution Regarding Forward-Looking Information; Risk Factors

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of United States securities laws, including the United States Private Securities Litigation Reform Act of 1995. From time to time, our public filings, press releases and other communications will contain forward-looking statements. Forward-looking information is often, but not always identified by the use of words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “forecast”, “target”, “project”, “may”, “will”, “should”, “could”, “estimate”, “predict” or similar words suggesting future outcomes or language suggesting an outlook. Forward-looking statements in this quarterly report on Form 10-Q include, but are not limited to, statements with respect to expectations of our prospects, future revenues, earnings, activities and technical results.

Forward-looking statements and information are based on current beliefs, as well as assumptions made by us, and information currently available to us concerning anticipated financial performance, business prospects, strategies and regulatory developments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. The forward-looking statements in this quarterly report on Form 10-Q are made as of the date it was issued, and we do not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that outcomes implied by forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking statements. These risks and uncertainties may cause our actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. When relying on our forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Our public filings are available at www.terrestar.com and on EDGAR at www.sec.gov.

Basis of Presentation

In this report:

the terms “we”, “our”, “us”, “TerreStar”, and the “Company” refer to TerreStar Corporation and its subsidiaries, except where the context otherwise requires or as otherwise indicated.

“TerreStar Networks” refers to TerreStar Networks Inc., an indirect, majority-owned subsidiary of TerreStar Corporation.

“TerreStar Canada Holdings” refers to TerreStar Networks Holdings (Canada) Inc., a Canadian corporation and parent company of TerreStar Canada.

“TerreStar Canada” refers to TerreStar Networks (Canada) Inc., a Canadian corporation.

“SkyTerra” refers to SkyTerra Communications, Inc.

“TerreStar Global” refers to TerreStar Global Ltd., an indirect, majority-owned subsidiary of TerreStar Corporation.

“Harbinger” means Harbinger Capital Partners Master Fund I, Ltd. and its affiliates.

“EchoStar” means EchoStar Corporation and its affiliates.

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PART 1—FINANCIAL INFORMATION

Item 1. Financial Statements

TERRESTAR CORPORATION
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2010 and 2009
(in thousands, except per share amounts)
Unaudited

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenue-related party	\$3,243	\$-	\$6,243	\$-
Operating expenses:				
General and administrative (exclusive of depreciation and amortization)	\$20,033	\$13,069	\$44,466	\$29,690
Research and development (exclusive of depreciation and amortization)	20,804	22,896	40,400	36,478
Depreciation and amortization	6,391	5,967	12,476	11,716
Impairment of property and equipment	947	-	947	-
Total operating expenses	48,175	41,932	98,289	77,884
Loss from operations	(44,932)	(41,932)	(92,046)	(77,884)
Other income (expense):				
Interest expense	(23,123)	(15,853)	(39,810)	(29,892)
Interest and other income	77	242	194	770
Loss before income taxes	(67,978)	(57,543)	(131,662)	(107,006)

Income tax provision	<u>(663)</u>	<u>(1,001)</u>	<u>(1,437)</u>	<u>(1,001)</u>
Net loss	(68,641)	(58,544)	(133,099)	(108,007)
Less:				
Net loss attributable to the noncontrolling interest in TerreStar Networks	7,194	5,806	12,391	10,667
Net loss attributable to the noncontrolling interest in TerreStar Global	<u>209</u>	<u>114</u>	<u>277</u>	<u>185</u>
Net loss attributable to TerreStar Corporation	<u>(61,238)</u>	<u>(52,624)</u>	<u>(120,431)</u>	<u>(97,155)</u>
Dividends on Series A and Series B cumulative convertible preferred stock	(1,026)	(6,245)	(7,184)	(12,668)
Accretion of issuance costs associated with Series A and Series B cumulative convertible preferred stock	<u>(187)</u>	<u>(1,133)</u>	<u>(1,310)</u>	<u>(2,256)</u>
Net loss attributable to common stockholders	<u><u>\$(62,451)</u></u>	<u><u>\$(60,002)</u></u>	<u><u>\$(128,925)</u></u>	<u><u>\$(112,079)</u></u>
Basic & Diluted Loss Per Share	<u><u>\$(0.45)</u></u>	<u><u>\$(0.44)</u></u>	<u><u>\$(0.92)</u></u>	<u><u>\$(0.87)</u></u>
Basic & Diluted Weighted-Average Common Shares Outstanding	<u><u>139,689</u></u>	<u><u>134,611</u></u>	<u><u>139,617</u></u>	<u><u>127,869</u></u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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TERRESTAR CORPORATION
Condensed Consolidated Balance Sheets
As of June 30, 2010 and December 31, 2009
(in thousands)

	<u>June 30,</u> <u>2010</u> (Unaudited)	<u>December 31,</u> <u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$15,037	\$45,125
Inventories	1,502	-
Deferred issuance costs	2,032	3,342
Prepaid and other current assets	7,318	4,939
Total current assets	25,889	53,406
Property and equipment, net	1,016,765	947,129
Intangible assets, net	353,138	362,304
Restricted cash	475	472
Deferred issuance costs	5,335	6,351
Other assets	-	6,000
Total assets	<u>\$1,401,602</u>	<u>\$1,375,662</u>

LIABILITIES AND DEFICIT

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$54,850	\$42,204
Deferred revenue	24,543	–
Deferred rent and other current liabilities	1,345	1,730
Accrued satellite performance incentives	12,626	19,350
Series A Cumulative Convertible Preferred Stock	90,000	–
Series B Cumulative Convertible Preferred Stock	318,500	–
Series A and Series B cumulative convertible preferred stock dividends payable	29,763	17,447
TerreStar-2 Purchase Money Credit Agreement including accrued interest, thereon	72,622	–
Total current liabilities	604,249	80,731
Accrued satellite performance incentives, net of current portion	7,255	8,062
Deferred revenue, net of current portion	40,000	–
Deferred rent and other long-term liabilities	960	1,429
Deferred income taxes	24,801	23,364
TerreStar Notes including contingent interest derivative and accrued interest, thereon (net of discount as of June 30, 2010 of \$48,294 and as of December 31, 2009 of \$48,528)	857,059	791,930
TerreStar Exchangeable Notes and accrued interest, thereon (net of discount as of June 30, 2010 of \$66,667 and as of December 31, 2009 of \$75,000)	108,623	94,729

TerreStar-2 Purchase Money Credit Agreement including contingent interest derivative and accrued interest, thereon	-	67,914
Total liabilities	1,642,947	1,068,159
Commitments and Contingencies		
Series A Cumulative Convertible Preferred Stock (\$0.01 par value, 450,000 shares authorized and 90,000 shares issued and outstanding at June 30, 2010 and December 31, 2009)	-	90,000
Series B Cumulative Convertible Preferred Stock (\$0.01 par value, 500,000 shares authorized and 318,500 shares issued and outstanding at June 30, 2010 and December 31, 2009)	-	318,500
STOCKHOLDERS' DEFICIT:		
TerreStar Corporation stockholders' deficit:		
Series C Preferred Stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at June 30, 2010 and December 31, 2009)	-	-
Series D Preferred Stock (\$0.01 par value, 1 share authorized and 1 share issued and outstanding at June 30, 2010 and December 31, 2009)	-	-
Series E Junior Convertible Preferred Stock (\$0.01 par value, 1,900,000 shares authorized and 1,200,000 shares issued and outstanding at June 30, 2010 and December 31, 2009)	12	12
Common stock; voting (par value \$0.01; 240,000,000 shares authorized, 143,417,236 and 143,718,237 shares issued, 139,466,034 and 139,767,035 shares outstanding at June 30, 2010 and December 31, 2009, respectively)	1,434	1,437
Additional paid-in capital	1,305,597	1,292,425
Common stock purchase warrants	-	11,999
Treasury stock (3,951,202 common shares held in treasury stock at June 30, 2010 and December 31, 2009)	(73,877)	(73,877)
Accumulated other comprehensive income	2,090	2,300

Accumulated deficit	<u>(1,446,003)</u>	<u>(1,317,078)</u>
Total TerreStar Corporation stockholders' deficit	<u>(210,747)</u>	<u>(82,782)</u>
Noncontrolling interest in TerreStar Networks	(30,024)	(17,925)
Noncontrolling interest in TerreStar Global	<u>(574)</u>	<u>(290)</u>
Total stockholders' deficit	<u>(241,345)</u>	<u>(100,997)</u>
Total liabilities and deficit	<u>\$1,401,602</u>	<u>\$1,375,662</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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TERRESTAR CORPORATION
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2010 and 2009
(in thousands)
Unaudited

	<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(133,099)	\$(108,007)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,476	11,716
Write-off of deposits	6,000	-
Amortization of deferred financing cost and debt discount	4,443	1,190
Stock-based compensation	1,295	4,272
Impairment of property and equipment	947	-
Deferred income taxes	1,437	1,001
Changes in assets and liabilities:		
Income tax receivable	-	1,477
Inventories	(1,502)	-
Prepaid and other current assets	(2,139)	(320)
Accounts payable and accrued expenses	8,887	4,918

Accrued interest	35,216	28,694
Deferred revenue	64,543	–
Deferred rent and other liabilities	(828)	(735)
Net cash used in operating activities	(2,324)	(55,794)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in restricted cash and investments, net	(3)	(9)
Additions to property and equipment, net	(18,324)	(67,758)
Adjustments to intangible assets	–	(188)
Net cash used in investing activities	(18,327)	(67,955)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of satellite performance incentives	(9,415)	–
Proceeds from TerreStar-2 purchase money credit agreement	–	150
Dividends paid on Series A Convertible Preferred Stock	–	(2,362)
Payments for capital lease obligations	(26)	(33)
Net cash used in financing activities	(9,441)	(2,245)
Foreign exchange effect on cash and cash equivalents	4	16
Net decrease in cash and cash equivalents	(30,088)	(125,978)

CASH AND CASH EQUIVALENTS, beginning of period	<u>45,125</u>	<u>236,820</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$15,037</u>	<u>\$110,842</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

TERRESTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Organization and Description of Business

General

TerreStar Corporation, a Delaware corporation, is in the mobile communications business through its ownership of TerreStar Networks, its principal operating subsidiary, and TerreStar Global.

TerreStar Networks, in cooperation with its Canadian partners, TerreStar Canada and TerreStar Solutions, majority-owned subsidiaries of Trio 1 and 2 General Partnerships (“Trio”), plans to launch an innovative wireless communications system to provide mobile coverage throughout the United States and Canada using integrated satellite-terrestrial smartphones and other devices. This system build out will be 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 intend to provide multiple communications applications, including voice, data and video services.

We successfully launched our first satellite “TerreStar-1” on July 1, 2009 and placed it into its assigned orbital slot in the geosynchronous arc, marking a significant milestone in offering the mobile satellite service (“MSS”) using frequencies in the 2GHz band. When our MSS service is offered in conjunction with ancillary terrestrial component (“ATC”) service, we will provide an integrated satellite and terrestrial wireless communications network. The network will also allow a user to utilize a mobile device that can communicate with a traditional land-based wireless network when in range of that network, but communicate with TerreStar-1 when not in range of such a land-based network or when such network is unavailable. Our ability to offer MSS/ATC services depends on TerreStar Networks’ ability to maintain certain regulatory authorizations allowing it to provide MSS/ATC in the S-band. We also may be required to obtain additional approvals from national and local authorities in connection with the services that we wish to provide in the future.

We have the right to use two 10 MHz blocks of contiguous and unshared MSS S-band spectrum covering a population of over 330 million throughout the United States and Canada. Our entire spectrum is eligible for ATC status. On January 13, 2010, TerreStar Networks was granted authority by the Federal Communications Commission (“FCC”) to operate dual-mode mobile terminals that can be used to communicate either via TerreStar’s geosynchronous-orbit MSS satellite or ancillary terrestrial component base stations. ATC base station operations were also authorized. These ATC authorizations provide the ability to integrate terrestrial mobile services with MSS. We anticipate using this ATC authorization to create a two-way wireless communications network providing coverage, services and applications to mobile and portable wireless users. This may be achieved through a strategic partnership with one or more other communications providers.

As of June 30, 2010, we had four wholly-owned subsidiaries, MVH Holdings Inc., Motient Holdings Inc., TerreStar Holdings Inc., and TerreStar New York Inc. Motient Ventures Holding Inc., a wholly-owned subsidiary of MVH Holdings Inc., directly holds approximately 89.3% and 86.5% interest in TerreStar Networks and TerreStar Global, respectively.

For additional information regarding the business descriptions of our wholly-owned subsidiaries, affiliates and investments, please refer to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as amended.

Going Concern, Liquidity and Capital Resources

In assessing our liquidity, we analyze our cash, our investments, anticipated revenue streams and our financing, operating and capital expenditure commitments, including preferred stock redemption obligations. Our principal liquidity needs are to satisfy working capital requirements, operating expenses, capital expenditures and

TERRESTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

debt and preferred stock redemption obligations. Based on our current plans, there is substantial doubt that the available cash balance, investments and available borrowing capacity as of June 30, 2010 will be sufficient to satisfy the projected funding needs for third quarter of 2010.

Pursuant to a Satellite Minutes Agreement (“Minutes Agreement”) entered on May 6, 2010, with SkyTerra and SkyTerra, LP, a wholly-owned subsidiary of SkyTerra (“SkyTerra LP,” and together with SkyTerra “SkyTerra Entities”), we received \$40.0 million as prepayment for satellite minutes usage under the Minutes Agreement. We are currently considering various alternatives to extend our liquidity and raise capital. We cannot guarantee that financing will be available or available on favorable terms. If we fail to obtain necessary financing on a timely basis, we may be forced to curtail operations or take other actions that will impact our ability to conduct our operations as planned. Our 2010 financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result from this uncertainty.

We have been exploring numerous strategic and financing alternatives to address our liquidity position and the ability to service our preferred stock and debt obligations, and we have retained legal and financial advisors, both in the United States and Canada, to assist us. We have also commenced restructuring discussions with certain holders of our 15% Secured Notes and 6.5% Exchangeable Notes. As of June 30, 2010, discussions with these stakeholders were ongoing, and they remain ongoing as of the filing of the report in which these financial statements appear. Additionally, we have commenced discussions with some of our major contract counterparties to address the liquidity requirements. There can be no assurances that our strategic and financing alternatives will be successful or consummated. In the event that none of the various alternatives is consummated, we may need to initiate proceedings for relief by making a voluntary bankruptcy filing under Chapter 11 of Title 11 of the United States Code to, among other things, reorganize our capital structure. The factors noted above raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our principal sources of liquidity consist of our current cash balances, short-term investments and credit available through our secured borrowing under TerreStar-2 Purchase Money Credit Agreement (“Credit Agreement”), of which \$42.5 million is available as of June 30, 2010 and which is available solely for construction and completion of our second satellite, TerreStar-2. As of June 30, 2010, we had \$15.0 million of cash and cash equivalents.

Our short-term liquidity needs are principally related to our operating expenses, continuing commitments related to the development of our handset, chipset, ground based satellite infrastructure and the redemption obligation under our Series A Cumulative Convertible Preferred Stock (the “Series A Preferred Stock”) and Series B Cumulative Convertible Preferred Stock (the “Series B Preferred Stock,” and together with the Series A Preferred Stock, the “Series A and B Preferred Stock”). As of June 30, 2010, we had contractual requirements of \$534.5 million due within one year, consisting of approximately \$435.1 million related to the Series A and B Preferred Stock; \$29.8 million related to our satellite system; \$62.9 million related to our handset, chipset, terrestrial network and orbital incentive payments related to our satellite contract; \$3.7 million for operating leases and \$3.0 million in interest payments for our 6.5% Exchangeable PIK Notes due 2014.

Since we have not timely redeemed the Series A and B Preferred Stock, to the extent of funds legally available in excess of \$10 million to redeem preferred stock pursuant to Delaware Law, a default has occurred under our Credit Agreement, that unless cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$72.6 million becoming immediately due and payable. Upon the occurrence of

TERRESTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

an event of default, the Credit Agreement permits the holders of 30% or more of the outstanding amounts due under the Credit Agreement to elect to accelerate any indebtedness to such lender under the Credit Agreement. If the holders of 30% or more of the outstanding amounts due under the Credit Agreement elect to accelerate the Credit Agreement and such acceleration is not timely withdrawn, an event of default would occur under the respective indentures for our 15% Senior Secured PIK Notes due 2014 and 6.5% Exchangeable PIK Notes due 2014 that if not timely cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$1,077.8 million becoming immediately due and payable.

As of June 30, 2010, we had aggregate operational contractual payment obligations of approximately \$166.9 million, consisting of approximately \$94.6 million for the TerreStar Networks' satellites and incentive payments; approximately \$6.8 million for our operating leases in Reston, Virginia, Lincolnshire, Illinois and Richardson Park, Texas, data centers, and site hosting agreements; and approximately \$65.5 million for obligations related to the build out of our terrestrial network and handset and chipset costs. The ability to fund these costs will depend on our future performance, which is subject in part to the execution of post satellite launch activities, general economic, financial and regulatory conditions and other factors that are beyond our control, including trends in the industry and technology developments. Also, we may not be able to obtain additional financing on acceptable terms or at all. Additionally, the terms of our current financing and contractual arrangements include significant limitations, among other factors, on our ability to incur additional debt, collateralize any additional new financing with our assets and the structure of any new financing transaction.

Note 2. Principles of Consolidation, Significant Accounting Policies and Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for preparation of interim financial statements. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted in accordance with these rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Annual Report on Form 10-K for the year ended December 31, 2009, as amended. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments necessary to summarize fairly the financial position, results of our operations and cash flows for the interim periods presented. The operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. All references to the June 30, 2010 and 2009 or to the three and six months ended June 30, 2010 and 2009 in the notes to the condensed consolidated financial statements are unaudited.

The condensed consolidated financial statements include our majority-owned subsidiaries and TerreStar Canada, a variable interest entity ("VIE"). All material intercompany balances and transactions are eliminated upon consolidation. Equity investments in which we have the ability to exercise significant influence are recorded under the equity method of accounting.

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 most significant estimates relate to the value of derivatives, stock-based compensation, income taxes, long-lived assets, intangible assets and contingencies.

TERRESTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Concentrations of Risk

Financial instruments, which are potentially subject to concentrations of credit risk, consist principally of cash and short-term investments in money market funds. At June 30, 2010, we had approximately \$3.0 million of investments in money market funds. 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, short term 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, whose carrying value differs from the fair value are disclosed as additional information in the notes to the condensed consolidated financial statements. Refer to Note 17 for details.

We adopted Financial Accounting Standards Board' s ("FASB") accounting standard guidance for fair value measurements for recording fair value of our financial assets and liabilities and for certain non-financial assets and liabilities. The standard establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3: Unobservable inputs in which little or no market data exists; therefore requiring an entity to develop its own assumptions and methodologies that result in management' s best estimate of fair value.

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. As of June 30, 2010, we have not commenced the depreciation of TerreStar-1 or the core network infrastructure, as they are not yet 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.

TERRESTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Research and Development Costs

All costs of research and development activities are expensed when incurred. Research and development activities consist of costs related to the development of our integrated satellite and terrestrial communications network, salaries, wages and other related direct costs of personnel engaged in research and development activities and the costs of externally procured intangible assets specifically identified for use in research and development activities and have no alternative future use.

Loss per Common Share

Basic loss per share is computed by dividing net loss by the weighted-average number of common shares outstanding during the reporting period. Diluted loss per share reflects the conversion of preferred stock and convertible notes and the assumed exercises of securities computed using the if-converted method or the effects of shares issuable under our equity plans computed using the treasury method, if dilutive. We considered certain unvested restricted stock which has non-forfeitable dividend rights as participating securities for the purpose of calculating basic loss per share. See Note 13 for the calculation of loss per share.

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 will be effective for us beginning on January 1, 2011, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. Early adoption is permitted provided that the guidance is retroactively applied to the beginning of the year of adoption. We are currently assessing the impact, if any, on our condensed consolidated financial statements.

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Note 3. Property and Equipment

The components of property and equipment are presented in the table below.

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(in thousands)	
Assets Under Construction:		
TerreStar-1	\$509,491	\$488,251
Satellite construction in progress	266,694	234,619
Terrestrial network under construction	220,462	205,793
	<u>996,647</u>	<u>928,663</u>
Assets in Service:		
Network equipment	2,966	2,446
Lab equipment	19,341	19,098
Office equipment and software	11,521	7,140
Leasehold improvements	3,028	2,963
	<u>36,856</u>	<u>31,647</u>
Less accumulated depreciation	<u>(16,738)</u>	<u>(13,181)</u>
Property and equipment, net	<u>\$1,016,765</u>	<u>\$947,129</u>

We capitalized \$27.0 million and \$52.2 million and \$19.6 million and \$38.2 million of interest expense related to assets under construction for the three and six months ended June 30, 2010 and 2009, respectively.

Depreciation expense was \$1.9 million and \$3.5 million and \$1.5 million and \$2.8 million for the three and six months ended June 30, 2010 and 2009, respectively.

Note 4. Accrued Orbital Performance Incentives

Our contract with the TerreStar-1 manufacturer requires us to make in-orbit performance incentive payments over the design life of TerreStar-1, effective August 2009. These satellite performance incentives are payable in future periods ranging from one to fifteen years and are dependent on the continued satisfactory performance of the satellite. We recorded the net present value of these expected future payments as a liability and as a component of the cost of the satellite. As of June 30, 2010, we have a \$19.9 million outstanding liability for satellite performance incentives, of which \$12.6 million and \$7.3 million has been classified as current and non-current, respectively.

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Note 5. Intangible Assets

The components of intangible assets are presented in the table below.

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(in thousands)	
Indefinite lived intangibles		
1.4GHz spectrum licenses	\$177,480	\$ 177,480
Definite lived intangibles		
2GHz licenses	209,091	209,302
Intellectual property	<u>36,898</u>	<u>36,935</u>
	245,989	246,237
Less accumulated amortization	<u>(70,331)</u>	<u>(61,413)</u>
Intangible assets, net	<u>\$353,138</u>	<u>\$ 362,304</u>

Amortization expense related to definite lived intangibles was \$4.5 million and \$8.9 million and \$4.5 million and \$8.9 million for the three and six months ended June 30, 2010 and 2009, respectively. Based on the current intangibles subject to amortization, the estimated amortization expense for each of the succeeding years from 2010 to 2014 is \$17.8 million; and cumulatively thereafter \$86.5 million.

Note 6. Equity Investment in 4491190 Canada Inc.

In August 2009, TerreStar Networks and 4491181 Canada Inc. entered into a Shareholder's Agreement pursuant to which TerreStar Networks became the 20% holder of TerreStar Solutions (a Canadian registered entity established for the purpose of providing commercial MSS/ATC services in Canada using the TerreStar-1 satellite and 2GHz terrestrial spectrum) Class A stock and 100% owner of non-voting Class B stock. We account for the investment in 4491190 Canada Inc. under the equity method of accounting. Our share of losses in 4491190 Canada Inc. has reduced the carrying amount of our investment in 4491190 Canada Inc., to zero as of June 30, 2010.

Note 7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
	(In thousands)	
Accounts payable	\$43,359	\$ 34,931
Accrued compensation and benefits	913	2,065
Accrued consulting expenses	3,129	2,815
Accrued legal expenses	1,336	664
Accrued operating and other expenses	<u>6,113</u>	<u>1,729</u>
	<u>\$54,850</u>	<u>\$ 42,204</u>

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Note 8. Deferred Revenue

On September 17, 2009, we entered into a Spectrum Manager Lease Agreement leasing the rights to use certain 1.4GHz terrestrial spectrum. The lease has an initial term through April 23, 2017, renewable, at the lessee's option, for two additional terms of ten years each, subject to FCC renewal of the licenses and no earlier termination. The lease payments due from the lessee are initially \$1 million per month and will increase to \$2 million per month no later than eight months after lease commencement and could increase to \$2 million per month earlier depending upon the satisfaction of certain conditions. On January 26, 2010, the lessee prepaid \$30 million under this agreement.

During three months ended June 30, 2010, pursuant to a Minutes Agreement entered on May 6, 2010, with SkyTerra, we received \$40.0 million as a prepayment for satellite minutes usage under the Minutes Agreement. The SkyTerra Entities may, subject to certain conditions, use the satellite minutes at any time within ten years after TerreStar Networks launches commercial service.

As of June 30, 2010, we have \$64.5 million of deferred revenue related to the above prepayments, of which we classified \$24.5 million as current deferred revenue and \$40.0 million as deferred revenue non-current in the condensed consolidated balance sheets as of June 30, 2010.

Note 9. Long-Term Debt

TerreStar Notes

In February 2007, pursuant to a debt indenture, TerreStar Networks issued \$500 million aggregate principal amount of Senior Secured Paid-in-Kind (PIK) Notes due 2014 ("TerreStar Notes"). Additionally, in February 2008, we entered into a Master Investment Agreement with EchoStar Corporation ("EchoStar"), which provided for, among other things, the purchase by EchoStar of \$50 million of TerreStar Notes in accordance with the First Supplemental Indenture.

The TerreStar Notes are secured by a first priority security interest in the assets of TerreStar Networks, subject to certain exceptions under the indenture. The assets of TerreStar Networks that collateralize the TerreStar Notes of \$1,053.2 million as of June 30, 2010, consist primarily of our interest in TerreStar-1, property and equipment, and cash and cash equivalents.

The TerreStar Notes bear interest from the date of issuance at a rate of 15% per annum. Per the provisions of the TerreStar Notes, additional interest of up to 1.5% per annum may accrue if certain milestones are not met by TerreStar. We are required to account for the potential interest rate adjustments, in accordance with FASB authoritative guidance relating to derivatives. At June 30, 2010, the value of TerreStar Notes includes \$2.8 million relating to fair value of the contingent interest derivative.

Until and including February 15, 2011, interest on the TerreStar Notes is payable in additional TerreStar Notes on each February 15 and August 15, starting August 15, 2007. Thereafter, interest on the TerreStar Notes will be payable in cash on February 15 and August 15, starting August 15, 2011. During the six months ended June 30, 2010, \$63.3 million of interest was converted into additional TerreStar Notes in accordance with the indenture. As of June 30, 2010 and December 31, 2009, the carrying value of the TerreStar Notes, net of discount including the contingent interest derivative and accrued interest, was \$857.1 million and \$791.9 million, respectively.

TerreStar Exchangeable Notes

In February 2008, TerreStar Networks issued \$150 million aggregate principal amount of TerreStar Exchangeable Notes due 2014 pursuant to an indenture dated February 7, 2008, with U.S. Bank National

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Association as trustee (“the Exchangeable Note Indenture”). The TerreStar Exchangeable Notes bear interest from February 7, 2008 at a rate of 6.5 % per annum, payable quarterly. Until and including June 15, 2011, interest on the TerreStar Exchangeable Notes is payable in additional TerreStar Exchangeable Notes quarterly, starting March 15, 2008. Thereafter, interest on the TerreStar Exchangeable Notes will be payable in cash quarterly. The TerreStar Exchangeable Notes are scheduled to mature on June 15, 2014.

The TerreStar Exchangeable Notes rank senior in right of payment to all existing and future subordinated indebtedness, and pari-passu with all other unsubordinated indebtedness. The TerreStar Exchangeable Notes are guaranteed by subsidiaries of TerreStar Networks.

During the six months ended June 30, 2010, \$5.5 million of interest was converted into additional TerreStar Exchangeable Notes in accordance with the Exchangeable Note Indenture. As of June 30, 2010 and December 31, 2009, the carrying value of the TerreStar Exchangeable Notes, net of discount including interest, was \$108.6 million and \$94.7 million, respectively.

TerreStar-2 Purchase Money Credit Agreement

On February 5, 2008, TerreStar Networks entered into a \$100 million TerreStar-2 Purchase Money Credit Agreement, among TerreStar Networks, as the borrower, the guarantors party thereto from time to time, U.S. Bank National Association, as collateral agent, and Harbinger and EchoStar, as lenders.

Amounts outstanding under the Credit Agreement bear interest at a rate of 14% per annum and mature on February 5, 2013. This interest is payable in additional notes through February 2012 and payable in cash thereafter. In addition to certain covenants customary for credit facilities, the financing will be advanced as required and solely used to fund the completion of the TerreStar-2 satellite. As June 30, 2010 and December 31, 2009, the liability recorded for the Credit Agreement, including accrued interest, was \$72.6 million and \$67.9 million, respectively.

Since we have not timely redeemed the Series A and B Preferred Stock, to the extent of funds legally available in excess of \$10 million to redeem preferred stock pursuant to Delaware Law, a default has occurred under our Credit Agreement, that unless cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$72.6 million becoming immediately due and payable and recorded as current liabilities in the accompanying condensed consolidated balance sheet as of June 30, 2010. Upon the occurrence of an event of default, the Credit Agreement permits the holders of 30% or more of the outstanding amounts due under the Credit Agreement to elect to accelerate any indebtedness to such lender under the Credit Agreement. If the holders of 30% or more of the outstanding amounts due under the Credit Agreement elect to accelerate the Credit Agreement and such acceleration is not timely withdrawn, an event of default would occur under the respective indentures for our 15% Senior Secured PIK Notes due 2014 and 6.5% Exchangeable PIK Notes due 2014 that if not timely cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$1,077.8 million becoming immediately due and payable.

Note 10. Stockholders' Equity

Preferred Stock

As of June 30, 2010, we had 5.0 million authorized shares of preferred stock, consisting of 0.45 million Series A Preferred shares, 0.5 million Series B preferred shares, 1 Series C preferred share, 1 Series D preferred share, 1.9 million Series E preferred shares and approximately 2.1 million shares undesignated.

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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 TerreStar Corporation'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. We did not redeem the Series A and B Preferred Stock on the Redemption Date. Accordingly, due to our failure to redeem, the holders of the Series A Preferred Stock will, in addition to any other rights available, have the right, subject to proper notice as set forth below, voting as a single class with all other parity securities upon which like voting rights have been conferred and are exercisable, to elect two members to our board of directors until all outstanding shares of the Series A Preferred Stock have been redeemed. Similarly, the holders of the Series B Preferred Stock will, in addition to any other rights available, have the right, subject to proper notice as set forth below, voting as a single class with all other parity securities upon which like voting rights have been conferred and are exercisable, to elect a majority of members to our board of directors until all outstanding shares of the Series B Preferred Stock have been redeemed. The board election rights available to the holders of the Series A Preferred Stock and Series B Preferred Stock will become effective, only if our failure to redeem continues for 30 consecutive days following the notice to us of our failure to redeem is given by the holders of at least 25% of the Series A Preferred Stock or the Series B Preferred Stock, as the case may be, then outstanding. We have received indications from certain parties that holders of the Series A and B Preferred Stock intend to exercise their rights to elect members to our board of directors due to our failure to redeem the Series A and B Preferred Stock on the Redemption Date.

Series C and D Preferred Stock

On February 7, 2008, we issued one share of non-voting Series C preferred stock, \$0.01 par value ("Series C preferred"), to EchoStar and one share of non-voting Series D preferred stock, \$0.01 par value ("Series D preferred"), to Harbinger for a purchase price equal to par value of \$0.01.

Series E Junior Participating Preferred Stock

On February 7, 2008, we issued 1.2 million shares of the Series E Junior Participating preferred stock to Harbinger, convertible into 30 million shares of our common stock. The rights, preferences and privileges of our preferred stocks are discussed in detail in our Annual report on Form 10-K filed for the year ended December 31, 2009, as amended.

Common Stock Purchase Warrants

As of June 30, 2010, there were no outstanding warrants on our common stock.

The following table summarizes the warrant activity for the six months ended June 30, 2010:

<u>TerreStar Corporation</u>	<u>Warrants</u>	<u>Weighted- average exercise price per share</u>
Outstanding at January 1, 2010	433,364	\$ 23.86
Expired	(433,364)	23.86
Outstanding at June 30, 2010	<u>—</u>	<u>\$ —</u>

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Variable Interest Entities

We own 33¹/₃% of the voting equity in TerreStar Canada Holdings which, in turn, owns 80% of the voting equity of TerreStar Canada, the entity holding the Industry Canada approvals needed to launch and operate TerreStar-1 for the purpose of providing mobile satellite services in Canada. We also maintain our existing 20% voting equity of TerreStar Canada, which results in a 46.6% effective ownership interest. TerreStar Canada holds legal title to TerreStar-1 and TerreStar Networks has been granted an irrevocable right to use a minimum of 90% capacity on the TerreStar-1 satellite, pursuant to an agreement.

We adopted a new accounting standard effective January 1, 2010, that modified the consolidation guidance applicable to variable interest entities, replacing the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity with a more qualitative approach. We performed a reassessment of the primary beneficiary determination of TerreStar Canada in accordance with the new standard. The new standard specifies that an entity will be deemed to have a controlling financial interest (the primary beneficiary) in a variable interest entity if it has both: 1) the power to direct the activities of a variable interest entity that most significantly impact the variable interest entity's economic performance; and 2) the obligation to absorb losses of the variable interest entity or the right to receive benefits from the variable interest entity. We believe that we continue to be primary beneficiary of TerreStar Canada, and therefore the adoption of this standard had no effect on the accompanying condensed consolidated financial statements.

Per the terms of TerreStar Canada Shareholders' Agreement, subject to certain change of control provisions, we are obligated to fund any operating cash shortfalls at TerreStar Canada upon the request of TerreStar Canada, so long as the provision of such funding does not conflict with applicable Canadian regulatory requirements. TerreStar Canada is subject to foreign ownership restrictions imposed by the *Telecommunications Act* (Canada) and the *Radiocommunication Act* (Canada) and regulations made pursuant to these Acts. Although we believe that TerreStar Canada is in compliance with the relevant legislation, there can be no assurance that a future determination by regulatory authorities, or events beyond its control, will not result in TerreStar Canada ceasing to comply with the relevant legislation. If such a development were to occur, the ability of TerreStar Canada to operate as a Canadian carrier under the *Telecommunications Act* (Canada) or to maintain, renew or secure its Industry Canada approval could be jeopardized and our business could be materially adversely affected.

Our current maximum direct financial exposure to loss includes the historical investment in TerreStar Canada and intercompany receivables from TerreStar Canada. Creditors of TerreStar Canada have no recourse or rights to our assets or general credit. As of June 30, 2010, TerreStar Canada has no debt or financing arrangements with any third parties. Subject to certain limitations, we can exercise our contractual rights to prevent TerreStar Canada from undertaking business activities that may expose them to undue financial or other business risks.

Note 11. Stock-Based Compensation

We offer stock options and other long-term incentive awards under the following two plans:

the 2006 TerreStar Corporation Equity Incentive Plan (the "2006 Plan"); and

the TerreStar Global Ltd. 2007 Share Incentive Plan (the "Global Plan").

We account for stock-based compensation based on fair value measured at the grant date and recognize as expense over the service period. The equity-based compensation expense of \$0.5 million and \$1.3 million and

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\$0.5 million and \$4.3 million for the three and six months ended June 30, 2010 and 2009, respectively, is included in general and administrative expense in the condensed consolidated statements of operations for the awards under the 2006 Plan and the Global Plan. The weighted average contractual remaining life of the stock options under the 2006 Plan as of June 30, 2010 was 7.19 years. The total unrecognized stock compensation expense as of June 30, 2010 was approximately \$1.8 million.

2006 TerreStar Corporation Equity Incentive Plan

The 2006 Plan initially authorized the issuance of a total of 10 million (and was later amended in October 2007 to increase to 11 million) incentive stock options, non-qualified stock options, restricted shares, performance shares and performance units. As of June 30, 2010, approximately 1.2 million shares remain available for issuance under the 2006 Plan. We did not grant any new stock options during three and six months ended June 30, 2010 and 2009.

The following tables summarize the stock option activity for the 2006 Plan.

	<u>Options to acquire shares</u>	<u>Weighted- average exercise price per share</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at January 1, 2010	6,486,290	\$ 9.46	\$ —
Forfeited/Expired	(1,743,325)	11.03	—
Outstanding at June 30, 2010	<u>4,742,965</u>	<u>\$ 8.89</u>	<u>\$ 15</u>
Exercisable at June 30, 2010	<u>3,626,768</u>	<u>\$ 11.20</u>	<u>\$ 15</u>

	<u>Options to acquire shares</u>	<u>Weighted- Average Grant Date Fair Value</u>
Non-vested at January 1, 2010	1,741,398	\$ 2.22
Forfeited/Expired	(50,000)	0.84
Vested	<u>(575,201)</u>	5.44
Non-vested at June 30, 2010	<u>1,116,197</u>	<u>\$ 0.58</u>

Restricted Stock Awards

The fair value of restricted stock awards is based on the stock price at the date of grant. Restricted stock awards generally vest over three years.

The following table summarizes the restricted stock activity as of June 30, 2010:

<u>TerreStar Corporation</u>	<u>Restricted Shares</u>	<u>Weighted- average grant date fair value</u>
Non-vested at January 1, 2010	2,286,929	\$ 1.35
Granted	41,000	1.05
Forfeited	(323,501)	1.33
Vested	(346,685)	1.38
Non-vested at June 30, 2010	<u>1,657,743</u>	<u>\$ 1.35</u>

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TerreStar Global Ltd. 2007 Share Incentive Plan

Pursuant to the terms of the Global Plan, TerreStar Global may issue up to an aggregate of 3.8 million shares of common stock in the form of options or other equity-based incentive awards to directors, officers, employees and service providers. Under this plan, as of June 30, 2010, there were 1.0 million options outstanding, of which 0.6 million options were exercisable. The weighted average exercise price of options outstanding and exercisable was \$0.42 and the weighted average grant date fair value of options outstanding and exercisable was \$0.29. There were no options granted, cancelled or exercised during the three and six months ended June 30, 2010 and 2009, respectively.

TerreStar Global-Warrants

These relate to previously issued warrants to our board and former board members. These warrants vested immediately and expire on July 9, 2012, or earlier if fully exercised or otherwise cancelled per the warrant agreement's terms. Subject to certain limitations, the warrants are freely transferable.

The following table summarizes the TerreStar Global warrants that are outstanding and exercisable as of June 30, 2010.

<u>Exercise Price</u>	<u>Warrants Outstanding</u>		<u>Exercisable</u>
	<u>As of</u>	<u>Weighted</u>	<u>As of</u>
	<u>June 30,</u>	<u>Average</u>	<u>June 30,</u>
	<u>2010</u>	<u>Contractual Life</u>	<u>2010</u>
		<u>Remaining</u>	
\$0.42	553,100	1.9 years	553,100

Note 12. Income Tax Expense

We use the asset and liability method of accounting for income taxes. We recorded income tax expense of \$0.6 million and \$1.4 million, respectively, for the three and six months ended June 30, 2010, primarily pertaining to deferred tax expense relating to the tax amortization of an indefinite-lived intangible asset. We did not record any adjustment to uncertain tax positions during the three and six months ended June 30, 2010 and provided a full valuation allowance against our deferred tax assets.

We recognize interest and penalties related to unrecognized tax benefits in our income tax expense. At June 30, 2010, we had no accrued interest or penalties. We have currently no periods under audit by the Internal Revenue Service. Due to our net operating loss carry-forward position in the U.S., the tax years from 2002 forward may be adjusted by the internal Revenue Service. We are not aware of any issues for open years, which upon examination by a taxing authority are expected to have a material adverse effect on the results of operations.

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Note 13. Loss per Share

The computation of net loss per share is shown below:

<u>(In thousands except per share data)</u>	Three months ended		Six months ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Loss per Share (Basic and Diluted):				
Net Loss available to Common Stockholders	\$(62,451)	\$(60,002)	\$(128,925)	\$(112,079)
Weighted-Average Common Shares Outstanding	139,689	134,611	139,617	127,869
Basic and Diluted net loss per share	\$(0.45)	\$(0.44)	\$(0.92)	\$(0.87)

For the six months ended June 30, 2010, 73.7 million dilutive shares calculated on an “if converted” basis for the Series A and B Preferred, Series E Preferred stock and TerreStar Exchangeable Notes and 1.7 million shares of unvested restricted stock were excluded from the calculation of diluted loss per share since their effect would have been anti-dilutive. Shares issuable under the equity plans were also anti-dilutive, since we incurred a net loss for the three and six months ended June 30, 2010 and 2009.

Note 14. Related Party Transactions

In January 2010, we entered into an Exclusivity Agreement (“Original Exclusivity Agreement”) with Harbinger in which we received a \$30 million prepayment of lease payments under the Spectrum Manager Lease Agreement and in exchange, for a period of 90 days from the date of the Original Exclusivity Agreement, we would negotiate in good faith on an agreement for the use of our S-band spectrum. Additionally, the Original Exclusivity Agreement imposed on us certain solicitation restrictions for entering into any transaction regarding the S-band Spectrum with any third party during the 90 days period, which expired on April 26, 2010 without an agreement for the use of our S-band spectrum being executed.

On May 6, 2010, TerreStar Networks entered into a Satellite Minutes Agreement (“Minutes Agreement”) with SkyTerra and SkyTerra, LP, a wholly-owned subsidiary of SkyTerra (“SkyTerra LP,” and together with SkyTerra “SkyTerra Entities”), whereby the SkyTerra Entities will purchase minutes of voice or data transmission and satellite capacity to use on TerreStar-1. The SkyTerra Entities have prepaid us \$40.0 million for the satellite minutes usage; SkyTerra is responsible for all other purchase price payments. SkyTerra is indirectly owned by Harbinger.

The SkyTerra Entities may begin using the satellite minutes at any time within one year after TerreStar Networks launches commercial service. The SkyTerra Entities will have five years, which shall be automatically extended for an additional five years in the event there are any unused satellite minutes remaining at the end of the initial five year period, to use the satellite minutes. The SkyTerra Entities may at their discretion credit all or part of the portion of the purchase price attributable to any unused satellite minutes to outstanding payments, if any, then due from the SkyTerra Entities to TerreStar Networks under any agreement for the use of our S-band spectrum described below and if

there are no such payments due or the SkyTerra Entities choose not to so credit all or a portion of the purchase price thereto, the unused satellite minutes will expire at the end of the second five year period.

As an inducement for the SkyTerra Entities to enter into the Minutes Agreement, on May 6, 2010, we entered into a new Exclusivity Agreement (“New Exclusivity Agreement”) with the SkyTerra Entities and an affiliate of Harbinger (together “SkyTerra/Harbinger”), whereby we agreed that, for a period of 90 days from the date of the

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New Exclusivity Agreement, we will negotiate in good faith on an agreement for the use of our S-band spectrum, and that we will not (i) solicit or encourage the submissions of proposals or offers relating to the S-band spectrum from any person other than with SkyTerra/Harbinger or an affiliate thereof, (ii) enter into any written or oral agreement relating to the S-band spectrum with any person other than with SkyTerra/Harbinger or an affiliate thereof nor (iii) participate in discussions or negotiations with, or furnish any non-public information to, any person in connection with a possible transaction regarding the S-band spectrum the effect of which would grant any third party rights with respect to the S-band Spectrum that would interfere with or obstruct the use of the S-band Spectrum by SkyTerra/Harbinger or otherwise make it unavailable for use by SkyTerra/Harbinger or limit our ability or SkyTerra/Harbinger's ability to enter into a transaction regarding the S-band spectrum. This exclusivity period ended on August 4, 2010.

Note 15. Commitments and Contingencies

We have the following contractual commitments and debt obligations as of June 30, 2010:

(in thousands)

	<u>TOTAL</u>	<u><1YR</u>	<u>1 to 3 YRS</u>	<u>4-5 YRS</u>	<u>>5 yrs</u>
Satellites ^(a)	\$94,627	\$29,822	\$29,269	\$4,068	\$31,468
Leases	6,769	3,747	2,974	32	16
Network Equipment and Operational Services ^(b)	65,500	62,900	2,600	—	—
Preferred Stock Obligations ^(c)	435,078	435,078	—	—	—
Debt Obligations ^(d)	<u>1,776,504</u>	<u>2,982</u>	<u>1,773,522</u>	<u>—</u>	<u>—</u>
Total	<u>\$2,378,478</u>	<u>\$534,529</u>	<u>\$1,808,365</u>	<u>\$4,100</u>	<u>\$31,484</u>

- (a) Includes commitment towards the TerreStar-2 Satellite relating to approximately \$50.1 million of orbital incentives, \$25.9 million of satellite construction and restart costs, \$10.7 million of satellite base and beam system contracts, and \$7.9 million for storage.
- (b) The cost of certain development efforts are shared with other operators. We could incur additional commitments related to those efforts in the event that one or more of those operators discontinued their participation.
- (c) Includes redemption obligation for Series A and Series B Preferred stock of \$408.5 million principal amount due on April 15, 2010. See Note 10-Stockholders' Equity for details.
- (d) Debt Obligations are comprised of \$550 million TerreStar Notes due 2014, the \$150 million TerreStar Exchangeable Notes due 2014, and current borrowing under the TerreStar-2 Purchase Money Credit Agreement due 2013 for TerreStar-2, plus accrued interest. Refer to "Going Concern, Liquidity and Capital Resources" for details.

Note 16. Legal Matters

Litigation Adverse to Highland Capital Management and James Dondero

Since August 2005, we have been engaged in litigation adverse to Highland Capital Management, L.P. (“Highland Capital”), as well as certain investment funds managed by Highland Capital and James Dondero, who is the principal owner of Highland Capital and one of our former directors (Highland Capital, its investment funds, and Mr. Dondero are referred to collectively as the “Dondero Affiliates”). Seven of the suits were filed by the Dondero Affiliates against us or related parties. Of those seven suits, four have been resolved in our favor (and are not further discussed herein).

The Dondero Affiliates’ first remaining lawsuit was filed in August 2005 in a Texas state district court in Dallas County, Texas. This suit challenges the validity of our Series A Preferred Stock, and also claims that the

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Dondero Affiliates were induced to purchase the Series A Preferred Stock by reason of various supposed misrepresentations and omissions. The Dondero Affiliates seek damages and rescission of their \$90 million purchase of 90,000 shares of Series A Preferred Stock. We believe that these claims are without merit, and intend vigorously to defend this suit, which is set for trial in October 2010.

The Dondero Affiliates' second remaining lawsuit was filed in February 2008 in the Commercial Division of the New York Supreme Court. In this suit, the Dondero Affiliates contend that certain transactions, including the September 2005 exchange offer by virtue of which we exchanged our outstanding shares of Series A Preferred Stock for a new class of Series B Preferred Stock, caused the occurrence of the Senior Security Trigger Date, supposedly requiring us to issue a Senior Security Notice, entitling the Dondero Affiliates to redeem their Series A Preferred Stock. At a June 18, 2009 hearing, the court stayed proceedings in the lawsuit, and on April 27, 2010, the Dondero Affiliates filed a Stipulation of Discontinuance Without Prejudice so that they can seek leave to assert the claims previously asserted in this action, in the subsequently-filed litigation in the Chancery Court of Delaware, which is referenced below. We believe that these claims are without merit.

The Dondero Affiliates' third remaining lawsuit was filed in December 2008 in the Court of Chancery of the State of Delaware. In this lawsuit, the Dondero Affiliates contend that certain financing transactions entered into by us in February 2008 with Harbinger, EchoStar, and other investors constituted a change in control of TerreStar Corporation under the Series A Preferred Stock's certificate of designations. The Dondero Affiliates allege that this change of control occurred in at least two ways: (i) they allege that Harbinger acquired control of 58% of TerreStar Corporation's voting stock; and (ii) they allege that Harbinger and EchoStar constitute a group that together acquired control of more than 50% of TerreStar Corporation's voting stock. The Dondero Affiliates ask the court to require us to issue a notice of change of control under the Certificate of Designation for the Series A Preferred Stock and redeem such stock for \$90 million plus dividends and escrow premiums. In the alternative, they seek unspecified damages. The parties are currently engaged in discovery. Additionally, as discussed above, the Dondero Affiliates' have indicated that they will seek the leave of court to amend their complaint to assert herein claims previously pleaded in the State of New York. We believe that these claims are without merit and intend vigorously to defend against this suit.

On October 19, 2005, we filed a petition in a Texas state court in Dallas County, alleging that Mr. Dondero seriously and repeatedly breached his fiduciary duties as a director to advance his own personal interests. The suit is set for trial in June 2011. Dondero has not filed a counterclaim or other pleading seeking damages from the Company; he has asserted a claim for indemnification, which the Company has denied.

Sprint Nextel Litigation

On June 25, 2008, Sprint Nextel Corporation ("Sprint") filed a lawsuit in the United States District Court for the Eastern District of Virginia naming TerreStar Networks as a defendant. New ICO Satellite Services, G.P. was also named as a defendant (together with TerreStar Networks, the "Defendants"). In this lawsuit, Sprint contends that Defendants owe them reimbursement for certain spectrum relocation costs Sprint has incurred or will incur in connection with relocating incumbent licensees from certain frequencies in the 2GHz spectrum band. Sprint seeks, among other things, enforcement of certain Federal Communications Commission orders and reimbursement of not less than \$100 million from each Defendant. On our motion, the United States District Court for the Eastern District of Virginia has stayed Sprint's suit on the ground that primary jurisdiction of the dispute resides in the FCC; the case has been administratively closed. The case remains stayed pending a final decision by the FCC.

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Note 17. Fair Value

We record certain financial assets and liabilities at fair value. Our financial assets and liabilities measured at fair value on a recurring basis, which are subject to the disclosure requirements under the fair value measurement standard, at June 30, 2010 were as follows:

<u>(In thousands)</u>	Fair Value Measurements at Reporting Date Using			Total as of June 30, 2010
	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Financial assets:				
Money market funds	\$ 3,046	—	—	\$ 3,046
Total assets measured at fair value	<u>\$ 3,046</u>	<u>—</u>	<u>—</u>	<u>\$ 3,046</u>
Financial liabilities:				
Contingent interest derivatives	—	—	\$ 2,848	\$ 2,848
Total liabilities measured at fair value	<u>—</u>	<u>—</u>	<u>\$ 2,848</u>	<u>\$ 2,848</u>

The following table represents our financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2010:

<u>(In thousands)</u>	<u>Contingent Interest Derivative</u>
Balance at January 1, 2010	\$ 3,040
Changes in fair value of contingent interest derivative liability	<u>(192)</u>

Balance at June 30, 2010

\$ 2,848

The following are the financial instruments recorded in the consolidated financial statements at carrying value as of the reporting periods presented, for which the fair value was determined based on the authoritative guidance for fair value measurements:

<u>(In thousands)</u>	<u>As of June 30, 2010</u>		<u>As of December 31, 2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TerreStar Notes including contingent interest derivative and accrued interest, thereon (net of discounts)	\$ 857,059	\$866,405	\$ 791,930	\$770,488
TerreStar Exchangeable Notes and accrued interest, thereon (net of discounts)	\$ 108,623	\$140,987	\$ 94,729	\$135,597
TerreStar-2 Purchase Money Credit Agreement including contingent interest derivative and accrued interest, thereon	\$ 72,622	\$69,717	\$ 67,914	\$62,418

We determined that there exists no active market for the TerreStar Notes, Exchangeable Notes and debt under the TerreStar-2 Purchase Money Credit Agreement. Therefore, we used the discounted cash flow (DCF) model as the primary quantitative valuation technique for disclosing the fair value of debt. In developing the valuation model, we determined expected cash flows, expected period coupon rate, market yield, and principal

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repayments as key inputs. Under the model, the fair market value of each instrument was based on the yield inputs from the JP Morgan CCC High Yield Index. The primary assumption is these observable yields are reliable proxies for investor required yield, and reflect the appropriate risk and reflect market information.

Note 18. Supplemental Cash Flow Information

Supplemental cash flow information for the six months ended June 30, 2010 and 2009 is presented in the table below.

	Six Months Ended	
	June 30,	
	2010	2009
	(in thousands)	
Non-cash investing and financing activities		
Accrued purchase of property, plant and equipment, net	\$17,639	\$-
Interest capitalized on satellites and terrestrial networks under construction	\$52,202	\$38,224
Paid-in-kind interest	\$73,785	\$61,873
Dividend liability accrued but not paid	\$7,184	\$354
Accretion of issuance costs on Series A and Series B preferred stock	\$1,310	\$2,256
Stock dividend to Series B preferred shareholders	\$--	\$9,951
Expiration of common stock warrants	\$11,999	\$2,559

Note 19. Comprehensive Loss

Accumulated other comprehensive loss, as reflected in the condensed consolidated balance sheets, consists solely of cumulative foreign currency translation adjustments. Reconciliation of comprehensive loss (net of taxes) for the three and six months ended June 30, 2010 and 2009 are as follows:

	Three months ended	Six months ended
	June 30,	June 30,

(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net Loss	<u>\$(68,641)</u>	<u>\$(58,544)</u>	<u>\$(133,099)</u>	<u>\$(108,007)</u>
Foreign currency translation adjustment	<u>(1,998)</u>	<u>163</u>	<u>(50)</u>	<u>150</u>
Comprehensive Loss	<u>(70,639)</u>	<u>(58,381)</u>	<u>(133,149)</u>	<u>(107,857)</u>
Less : Comprehensive loss attributable to noncontrolling interests	<u>7,449</u>	<u>5,899</u>	<u>12,509</u>	<u>10,833</u>
Comprehensive loss attributable to TerreStar Corporation	<u>\$(63,190)</u>	<u>\$(52,482)</u>	<u>\$(120,640)</u>	<u>\$(97,024)</u>

Note 20. Subsequent Events

We evaluated all material events or transactions that occurred after the consolidated balance sheet date as of June 30, 2010. During this period, we did not have any material subsequent events except as noted below:

On July 2, 2010, TerreStar Networks announced that it had renewed the in-orbit insurance on TerreStar-1 for one additional year. TerreStar Networks also announced that it expects to begin commercial roll out of the TerreStar GENUS™ smartphone in September 2010.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements in Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believe", "project", "expect", "anticipate", "estimate", "intend", "plan", "may", "should", "will", "would", "will be", "will continue", "will likely result", and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements. Please see "Forward-Looking Statements" above and "Risk Factors" below and in our Annual Report on Form 10-K for the year ended December 31, 2009, as amended, for a discussion of the uncertainties, risks and assumptions associated with these statements.

The interim financial statements filed in this quarterly report on Form 10-Q and the discussion contained herein should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ending December 31, 2009, as amended.

Business Overview

TerreStar Corporation, a Delaware corporation, is in the mobile communications business through its ownership of TerreStar Networks, its principal operating subsidiary, and TerreStar Global.

TerreStar Networks, in cooperation with its Canadian partners, TerreStar Canada and TerreStar Solutions, majority-owned subsidiaries of Trio 1 and 2 General Partnerships ("Trio"), plans to launch an innovative wireless communications system to provide mobile coverage throughout the United States and Canada using integrated satellite-terrestrial smartphones and other devices. This system build out will be 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 intend to provide multiple communications applications, including voice, data and video services.

As of June 30, 2010, we had four wholly-owned subsidiaries, MVH Holdings Inc., Motient Holdings Inc., TerreStar Holdings Inc., and TerreStar New York Inc. Motient Ventures Holding Inc., a wholly-owned subsidiary of MVH Holdings Inc., directly holds approximately 89.3% and 86.5% interest in TerreStar Networks and TerreStar Global, respectively.

Based on the current plans, we have substantial doubt that our cash, investments and available borrowing capacity as of June 30, 2010 will be sufficient to cover the projected funding needs for the third quarter of 2010. We will likely face a cash deficit in the third quarter of 2010 unless we obtain additional capital. We cannot guarantee that financing sources will be available or available on favorable terms. Please see "Going Concern, Liquidity and Capital Resources" below for more information.

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Overview

TerreStar Networks Inc.

TerreStar Networks is our principal operating subsidiary. TerreStar Networks, in cooperation with TerreStar Canada and TerreStar Solutions, majority-owned subsidiaries of Trio, plans to launch an innovative wireless communications system to provide mobile coverage throughout the United States and Canada using integrated satellite-terrestrial smartphones and other devices.

We successfully launched our first satellite “TerreStar-1” on July 1, 2009 and placed it into its assigned orbital slot in the geosynchronous arc, marking a significant milestone in offering the mobile satellite service (“MSS”) using frequencies in the 2GHz band. When our MSS service is offered in conjunction with ancillary terrestrial component (“ATC”) service, we will provide an integrated satellite and terrestrial wireless communications network. The network will also allow a user to utilize a mobile device that can communicate with a traditional land-based wireless network when in range of that network, but communicate with TerreStar-1 when not in range of such a land-based network or when such network is unavailable.

Our ability to offer MSS/ATC services depends on TerreStar Networks’ ability to maintain certain regulatory authorizations allowing it to provide MSS/ATC in the S-band. We also may be required to obtain additional approvals from national and local authorities in connection with the services that we wish to provide in the future.

TerreStar Networks, initially created as a subsidiary of SkyTerra, entered into an agreement with SkyTerra’s wholly-owned subsidiary, ATC Technologies, LLC (“ATC Technologies”), pursuant to which TerreStar Networks has a perpetual, royalty-free license to utilize ATC Technologies’ patent portfolio in the S-band, including those patents related to ATC, which allows us to deploy a communications network that seamlessly integrates satellite and terrestrial communications, giving a user ubiquitous wireless coverage in the U.S. and Canada.

We have the right to use two 10 MHz blocks of contiguous and unshared MSS S-band spectrum covering a population of over 330 million throughout the United States and Canada. Our entire spectrum is eligible for ATC status. On January 13, 2010, TerreStar Networks was granted authority by the FCC to operate dual-mode mobile terminals that can be used to communicate either via TerreStar’s geosynchronous-orbit MSS satellite or ancillary terrestrial component base stations. ATC base station operations were also authorized. These ATC authorizations provide the ability to integrate terrestrial mobile services with MSS. We anticipate using this ATC authorization to create a two-way wireless communications network providing coverage, services and applications to mobile and portable wireless users. This may be achieved through a strategic partnership with one or more other communications providers.

As of June 30, 2010, we owned approximately 89.3% of the outstanding shares of TerreStar Networks and have included the financial results of TerreStar Networks for the purpose of the consolidated financial statements.

Our Relationship with TerreStar Canada and 4491165 Canada

TerreStar Canada Holdings owns 80% of the voting equity of TerreStar Canada, which in turn holds the Industry Canada approvals needed to operate TerreStar-1 for the purposes of providing mobile satellite services in Canada. We maintain our existing 20% of the voting equity of TerreStar Canada. TerreStar Canada holds legal title to the TerreStar-1 satellite, and under the terms of an amended and restated Indefeasible Right of Use Agreement dated August 11, 2009 between TerreStar Networks and TerreStar Canada, TerreStar Networks has been granted a right to use up to ninety percent of the capacity on the TerreStar-1 satellite.

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In July 2009, Trio through 4491165 Canada Inc., a then wholly-owned subsidiary of Trio, completed its acquisition of a 66 2/3% voting equity stake in TerreStar Canada Holdings previously held by 4371585 Canada Inc., a wholly-owned subsidiary of BCE Inc. We retain our existing 33 1/3% voting equity ownership in TerreStar Canada Holdings.

Our Relationship with TerreStar Solutions

TerreStar Solutions is a Canadian registered entity established for the purpose of providing commercial MSS/ATC services in Canada using the TerreStar-1 satellite and 2GHz terrestrial spectrum. On August 11, 2009, TerreStar Networks and 4491181 Canada Inc. (“4491181 Canada”) entered into a Shareholder’s Agreement pursuant to which TerreStar Networks became the 20% holder of TerreStar Solutions Class A stock and 100% owner of TerreStar Solutions non-voting Class B stock. 4491181 Canada is under common ownership with 4491165 Canada. The Shareholder’s Agreement grants TerreStar Networks some limited minority shareholder rights and the ability to nominate one of five directors. In the event of a dilutive event including issuing a debt instrument, a share issuance or a share transfer or sale, TerreStar Networks has various options to maintain its relative percentage ownership amounts. Such options include pre-emptive rights, right of first offer, co-sale, and drag along.

TerreStar Solutions has entered a Wholesale Satellite Capacity agreement with TerreStar Canada whereby TerreStar Solutions has the right to use up to 10% of the capacity of TerreStar-1 on a per minute/per megabyte basis. TerreStar Solutions intends to enter into various agreements to allow for the use of TerreStar Networks handsets in Canada and for the sale of end user devices in the Canadian market.

TerreStar Global Ltd.

TerreStar Global was initially formed in 2005 as a wholly-owned subsidiary of TerreStar Networks. We have consolidated the financial results of TerreStar Global since its inception. In late 2006, TerreStar Corporation became the indirect majority holder of TerreStar Global. As of June 30, 2010, we owned approximately 86.5% of the outstanding shares of TerreStar Global.

TerreStar Holdings Inc.

TerreStar Holdings was formed in September 2009 as a wholly-owned subsidiary of TerreStar Corporation. TerreStar 1.4 Holdings LLC, a Delaware limited liability company and wholly-owned subsidiary of TerreStar Holdings, holds the FCC licenses for certain 1.4GHz terrestrial spectrum and has entered into a lease of that spectrum with an affiliate of Harbinger Capital Partners Master Fund I, Ltd (“Harbinger affiliate”). At June 30, 2010, TerreStar Corporation’s condensed consolidated financial statements include TerreStar Holdings and its wholly-owned subsidiary TerreStar 1.4 Holdings LLC.

Current Year’s Developments

We received FCC approval for ATC.

On January 13, 2010, the FCC granted us authority to integrate terrestrial use of our 20 MHz S-band spectrum into our next generation mobile wireless network. This approval was a critical step in our ability to be able to operate a combined satellite and terrestrial network.

We have received a prepayment on our 1.4GHz terrestrial spectrum to Harbinger.

In September 2009, we entered into a Spectrum Manager Lease Agreement, under which the Harbinger affiliate is leasing our rights to use certain 1.4GHz terrestrial spectrum. The lease has an initial term through April 2017, renewable at the lessee’s option for two additional terms of ten years each subject to FCC renewal of

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the licenses. The lease payments are initially \$1 million per month and increased to \$2 million per month in June 2010. Under certain conditions the lessee has an option, but not the obligation, to purchase the licenses, subject to the approval of our board. The lessee also has a right of first refusal to match the price (less a credit for certain amounts paid under the agreement) in any potential transfer of the licenses to a third party.

In January 2010, in exchange for a \$30 million prepayment of amounts due under the lease, we entered into further agreements with Harbinger. We agreed to negotiate with Harbinger on an exclusive basis for a period of 90 days towards an agreement under which our S-band spectrum would be pooled with other spectrum to provide mobile communications services. As part of this exclusivity agreement, we have agreed that we would not enter into any agreement relating to the S-band spectrum other than with Harbinger, nor grant any third party rights with respect to the S-band spectrum that would interfere with the use of the S-band spectrum by Harbinger or limit our ability to enter into a transaction with Harbinger regarding the S-band spectrum.

We also agreed that any remaining unamortized portion of the \$30 million prepayment that would not otherwise have been paid under the lease will be refunded by us under certain circumstances, including termination or breach by us of the lease, termination or breach by us of the exclusivity agreement or if we cannot obtain consents necessary to enter into and perform the S-band spectrum agreement or we cease to have rights to substantially all the S-band spectrum.

We have received a prepayment for satellite minutes

As noted above, in January 2010, we entered into an Exclusivity Agreement (“Original Exclusivity Agreement”) with Harbinger in which we received a \$30 million prepayment of lease payments under the Spectrum Manager Lease Agreement and in exchange, for a period of 90 days from the date of the Original Exclusivity Agreement, we would negotiate in good faith on an agreement for the use of our S-band spectrum. Additionally, the Original Exclusivity Agreement imposed on us certain solicitation restrictions for entering into any transaction regarding the S-band Spectrum with any third party during the 90 days period, which expired on April 26, 2010 without an agreement for the use of our S-band spectrum being executed.

On May 6, 2010, TerreStar Networks entered into a Satellite Minutes Agreement (“Minutes Agreement”) with SkyTerra and SkyTerra, LP, a wholly-owned subsidiary of SkyTerra (“SkyTerra LP,” and together with SkyTerra “SkyTerra Entities”), whereby the SkyTerra Entities will purchase minutes of voice or data transmission and satellite capacity to use on TerreStar-1. The SkyTerra Entities have prepaid us \$40.0 million for the satellite minutes usage.

The SkyTerra Entities may begin using the satellite minutes at any time within one year after TerreStar Networks launches commercial service. The SkyTerra Entities will have five years, which shall be automatically extended for an additional five years in the event there are any unused satellite minutes remaining at the end of the initial five year period, to use the satellite minutes. The SkyTerra Entities may in their discretion credit all or part of the portion of the purchase price attributable to any unused satellite minutes to outstanding payments, if any, then due from the SkyTerra Entities to TerreStar Networks under any agreement for the use of our S-band spectrum described below and if there are no such payments due or the SkyTerra Entities choose not to so credit all or a portion of the purchase price thereto, the unused satellite minutes will expire at the end of the second five year period.

As an inducement for the SkyTerra Entities to enter into the Minutes Agreement, on May 6, 2010, we entered into a new Exclusivity Agreement (“New Exclusivity Agreement”) with the SkyTerra Entities and an affiliate of Harbinger (together “SkyTerra/Harbinger”), whereby we agreed that, for a period of 90 days from the date of the New Exclusivity Agreement, we will negotiate in good faith on an agreement for the use of our S-band spectrum, and that we will not (i) solicit or encourage the submissions of proposals or offers relating to

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the S-band spectrum from any person other than with SkyTerra/Harbinger or an affiliate thereof, (ii) enter into any written or oral agreement relating to the S-band spectrum with any person other than with SkyTerra//Harbinger or an affiliate thereof nor (iii) participate in discussions or negotiations with, or furnish any non-public information to, any person in connection with a possible transaction regarding the S-band spectrum the effect of which would grant any third party rights with respect to the S-band Spectrum that would interfere with or obstruct the use of the S-band Spectrum by SkyTerra/Harbinger or otherwise make it unavailable for use by SkyTerra/Harbinger or limit our ability or SkyTerra/Harbinger' s ability to enter into a transaction regarding the S-band spectrum. This exclusivity period ended on August 4, 2010.

Our exchange offers and consent solicitation expired.

On April 2, 2010, we terminated the offers to exchange our Series A, B and E Preferred Stock for newly issued Series F Preferred Stock and Series G Junior Preferred Stock of TerreStar Holdings Inc. and solicitation for consents to certain proposed amendments to the certificate of designation of our Series B Preferred Stock and the indenture governing our 6.5% Exchangeable PIK Notes due 2014, which was originally initiated on November 16, 2009. The offers to exchange and solicitation for consent were terminated because certain conditions precedent to the offers to exchange and solicitation for consent had not been satisfied. Pursuant to the expiration of the offers to exchange, on April 15, 2010, our redemption requirements of \$408.5 million in principal plus unpaid dividends for the Series A and B Preferred materialized. Currently we have made no payments towards outstanding principal and dividends outstanding nor converted them into shares of our common stock.

We did not redeem the Series A and B Preferred Stock on the Redemption Date. Accordingly, due to our failure to redeem, the holders of the Series A Preferred Stock will, in addition to any other rights available, have the right, subject to proper notice as set forth below, voting as a single class with all other parity securities upon which like voting rights have been conferred and are exercisable, to elect two members to our board of directors until all outstanding shares of the Series A Preferred Stock have been redeemed. Similarly, the holders of the Series B Preferred Stock will, in addition to any other rights available, have the right, subject to proper notice as set forth below, voting as a single class with all other parity securities upon which like voting rights have been conferred and are exercisable, to elect a majority of members to our board of directors until all outstanding shares of the Series B Preferred Stock have been redeemed. The board election rights available to the holders of the Series A Preferred Stock and Series B Preferred Stock will become effective, only if our failure to redeem continues for 30 consecutive days following the notice to us of our failure to redeem is given by the holders of at least 25% of the Series A Preferred Stock or the Series B Preferred Stock, as the case may be, then outstanding. We have received indications from certain parties that holders of the Series A and B Preferred Stock intend to exercise their rights to elect members to our board of directors due to our failure to redeem the Series A and B Preferred Stock on the Redemption Date.

Since we have not timely redeemed the Series A and B Preferred Stock, to the extent of funds legally available in excess of \$10 million to redeem preferred stock pursuant to Delaware Law, a default has occurred under our Credit Agreement, that unless cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$72.6 million becoming immediately due and payable and recorded as current liabilities in the accompanying condensed consolidated balance sheet as of June 30, 2010. Upon the occurrence of an event of default, the Credit Agreement permits the holders of 30% or more of the outstanding amounts due under the Credit Agreement to elect to accelerate any indebtedness to such lender under the Credit Agreement. If the holders of 30% or more of the outstanding amounts due under the Credit Agreement elect to accelerate the Credit Agreement and such acceleration is not timely withdrawn, an event of default would occur under the respective indentures for our 15% Senior Secured PIK Notes due 2014 and 6.5% Exchangeable PIK Notes due 2014 that if not timely cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$1,077.8 million becoming immediately due and payable.

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Results of Operations—Consolidated

Three Months Ended June 30, 2010 and 2009

Revenue:

During the three and six months ended June 30, 2010, we recorded \$3.2 million and \$6.2 million, respectively, as revenue pursuant to our Spectrum Manager Lease Agreement entered in September 2009, leasing the rights to use certain 1.4GHz terrestrial spectrum to a related party. We had no revenue for the three or six months ended June 30, 2009.

Operating Expenses:

	Three Months Ended June 30,			
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
(in thousands)				
General and administrative	\$20,033	\$13,069	\$6,964	53.3 %
Research and development	20,804	22,896	(2,092)	(9.1)%
Depreciation and amortization	6,391	5,967	424	7.1 %
Impairment of property and equipment	947	—	947	NM
Total operating expenses	<u>\$48,175</u>	<u>\$41,932</u>	<u>\$6,243</u>	14.9 %

	Six Months Ended June 30,			
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
(in thousands)				
General and administrative	\$44,466	\$29,690	\$14,776	49.8 %
Research and development	40,400	36,478	3,922	10.8 %
Depreciation and amortization	12,476	11,716	760	6.5 %
Impairment of property and equipment	947	—	947	NM
Total operating expenses	<u>\$98,289</u>	<u>\$77,884</u>	<u>\$20,405</u>	26.2 %

NM: Not Meaningful

(1) *General and administrative expense includes approximately \$0.5 million and \$1.3 million, and \$0.4 million and \$4.3 million of stock-based compensation expenses for three and six months ended June 30, 2010 and 2009, respectively.*

General and administrative:

Our general and administrative expenses increased by \$7.0 million or 53.3% for the three months ended June 30, 2010 as compared to the same period in 2009. The change in the expenses for the three months ended June 30, 2010 is the result of a \$1.0 million increase in expenses incidental to handset operational readiness, \$2.8 million in increased salary and benefits payments, \$1.6 million increase in consulting expenses and \$1.2 million in increased legal fees due to the ongoing financing efforts and \$0.4 million increase in other administrative expenses.

Our general and administrative expenses increased by \$14.8 million or 49.8% for the six months ended June 30, 2010 as compared to the same period in 2009. The change in the expenses for the six months ended June 30, 2010 is primarily the result of a \$6.0 million write-off of a deposit that is no longer recoverable, \$1.9 million in increased expense related to handset operational readiness, \$3.4 million increase in consulting services related to network operations, \$2.7 million in increased legal fees due to the ongoing financing efforts and \$0.8 million in software and lab maintenance related to the satellite.

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Research and development costs:

Research and development costs decreased by \$2.1 million or 9.1% for the three months ended June 30, 2010 compared to the same period in 2009. The decrease is related to a \$1.0 million decrease in the expense related to handset development and a \$1.1 million decrease in satellite related research and development expenses.

Research and development costs increased by \$3.9 million or 10.8% for the six months ended June 30, 2010 compared to the same period in 2009. The increase is primarily related to a \$5.6 million increase in the expense related to handset development, partially offset by a \$1.7 million decrease in satellite related research and development expenses.

Depreciation and amortization:

Depreciation and amortization increased by \$0.4 million or 7.1% for the three months ended June 30, 2010 as compared to the same period in 2009 and increased by \$0.8 million or 6.5% for the six months ended June 30, 2010 as compared to the same periods in 2009. Depreciation expense corresponds to additional purchase of lab equipment and software during the second half of 2009 and early 2010.

Other Income (Expense):

	Three Months Ended June 30,			
	2010	2009	Change	% Change
	(in thousands)			
Interest expense	\$(23,123)	\$(15,853)	\$(7,270)	45.9 %
Interest and other income	77	242	(165)	(68.2)%
	Six Months Ended June 30,			
	2010	2009	Change	% Change
	(in thousands)			
Interest expense	\$(39,810)	\$(29,892)	\$(9,918)	33.2 %
Interest and other income	194	770	(576)	(74.8)%

Interest expense:

Interest expense increased by \$7.3 million or 45.9% for the three months ended June 30, 2010 as compared to the same period in 2009 and increased by \$9.9 million or 33.2% for the six months ended June 30, 2010 as compared to the same period in 2009. This increase is primarily due to interest on additional TerreStar Notes and Exchangeable Notes for interest paid-in-kind and dividends accrued on our Series A and B Preferred Stock from the date of redemption.

Interest and other income:

Interest and other income decreased by \$0.2 million or 68.2% for the three months ended June 30, 2010 as compared to the same periods in 2009 and decreased by \$0.6 million or 74.8% for the six months ended June 30, 2010 as compared to the same periods in 2009. The decrease primarily relates to lower interest rates and decreasing cash and investment balances during the three and six months ended June 30, 2010.

Income Taxes

We recorded income tax expense of \$0.6 million and \$1.0 million for the three months ended June 30, 2010 and 2009, respectively, primarily pertaining to deferred tax expense relating to the tax amortization of the

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indefinite-lived intangible asset. We did not record any adjustment to uncertain tax positions during the three months ended June 30, 2010 and provided a full valuation allowance against our deferred tax assets.

Going Concern, Liquidity and Capital Resources

In assessing our liquidity, we analyze our cash, our investments, anticipated revenue streams and our financing, operating and capital expenditure commitments, including preferred stock redemption obligations. Our principal liquidity needs are to satisfy working capital requirements, operating expenses, capital expenditures and debt and preferred stock redemption obligations. Based on our current plans, there is substantial doubt that the available cash balance, investments and available borrowing capacity as of June 30, 2010 will be sufficient to satisfy the projected funding needs for third quarter of 2010.

Pursuant to a Satellite Minutes Agreement (“Minutes Agreement”) entered on May 6, 2010, with SkyTerra and SkyTerra, LP, a wholly-owned subsidiary of SkyTerra (“SkyTerra LP,” and together with SkyTerra “SkyTerra Entities”), we received \$40.0 million as prepayment for satellite minutes usage under the Minutes Agreement. We are currently considering various alternatives to extend our liquidity and raise capital. We cannot guarantee that financing will be available or available on favorable terms. If we fail to obtain necessary financing on a timely basis, we may be forced to curtail operations or take other actions that will impact our ability to conduct our operations as planned. Our 2010 financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result from this uncertainty.

We have been exploring numerous strategic and financing alternatives to address our liquidity position and the ability to service our preferred stock and debt obligations, and we have retained legal and financial advisors, both in the United States and Canada, to assist us. We have also commenced restructuring discussions with certain holders of our 15% Secured Notes and 6.5% Exchangeable Notes. As of June 30, 2010, discussions with these stakeholders were ongoing, and they remain ongoing as of the filing of the report in which these financial statements appear. Additionally, we have commenced discussions with some of our major contract counterparties to address the liquidity requirements. There can be no assurances that our strategic and financing alternatives will be successful or consummated. In the event that none of the various alternatives is consummated, we may need to initiate proceedings for relief by making a voluntary bankruptcy filing under Chapter 11 of Title 11 of the United States Code to, among other things, reorganize our capital structure. The factors noted above raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our principal sources of liquidity consist of our current cash balances, short-term investments and credit available through our secured borrowing under TerreStar-2 Purchase Money Credit Agreement (“Credit Agreement”), of which \$42.5 million is available as of June 30, 2010 and which is available solely for construction and completion of our second satellite, TerreStar-2. As of June 30, 2010, we had \$15.0 million of cash and cash equivalents.

Our short-term liquidity needs are principally related to our operating expenses, continuing commitments related to the development of our handset, chipset, ground based satellite infrastructure and the redemption obligation under our Series A Cumulative Convertible Preferred Stock (the “Series A Preferred Stock”) and Series B Cumulative Convertible Preferred Stock (the “Series B Preferred Stock,” and together with the Series A Preferred Stock, the “Series A and B Preferred Stock”). As of June 30, 2010, we had contractual requirements of \$534.5 million due within one year, consisting of approximately \$435.1 million related to the Series A and B Preferred Stock; \$29.8 million related to our satellite system; \$62.9 million related to our handset, chipset, terrestrial network and orbital incentive payments related to our satellite contract; \$3.7 million for operating leases and \$3.0 million in interest payments for our 6.5% Exchangeable PIK Notes due 2014.

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Since we have not timely redeemed the Series A and B Preferred Stock, to the extent of funds legally available in excess of \$10 million to redeem preferred stock pursuant to Delaware Law, a default has occurred under our Credit Agreement, that unless cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$72.6 million becoming immediately due and payable. Upon the occurrence of an event of default, the Credit Agreement permits the holders of 30% or more of the outstanding amounts due under the Credit Agreement to elect to accelerate any indebtedness to such lender under the Credit Agreement. If the holders of 30% or more of the outstanding amounts due under the Credit Agreement elect to accelerate the Credit Agreement and such acceleration is not timely withdrawn, an event of default would occur under the respective indentures for our 15% Senior Secured PIK Notes due 2014 and 6.5% Exchangeable PIK Notes due 2014 that if not timely cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$1,077.8 million becoming immediately due and payable.

As of June 30, 2010, we had aggregate operational contractual payment obligations of approximately \$166.9 million, consisting of approximately \$94.6 million for the TerreStar Networks' satellites and incentive payments; approximately \$6.8 million for our operating leases in Reston, Virginia, Lincolnshire, Illinois and Richardson Park, Texas, data centers, and site hosting agreements; and approximately \$65.5 million for obligations related to the build out of our terrestrial network and handset and chipset costs. The ability to fund these costs will depend on our future performance, which is subject in part to the execution of post satellite launch activities, general economic, financial and regulatory conditions and other factors that are beyond our control, including trends in the industry and technology developments. Also, we may not be able to obtain additional financing on acceptable terms or at all. Additionally, the terms of our current financing and contractual arrangements include significant limitations, among other factors, on our ability to incur additional debt, collateralize any additional new financing with our assets and the structure of any new financing transaction.

Summary of Cash Flows:

	Six Months Ended	
	June 30,	
	2010	2009
	(in thousands)	
Net cash used in Operating Activities	\$(2,324)	\$(55,794)
Net cash used in Investing Activities	(18,327)	(67,955)
Net cash used in Financing Activities	(9,441)	(2,245)
Foreign Exchange effect on cash and cash equivalents	4	16
Net decrease in cash and cash equivalents	(30,088)	(125,978)
Cash and Cash Equivalents, beginning of period	45,125	236,820
Cash and Cash Equivalents, end of period	<u>\$15,037</u>	<u>\$110,842</u>

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2010 was \$2.3 million as compared to net cash used in operating activities for the six months ended June 30, 2009 of \$55.8 million. The decrease of \$53.5 million is primarily attributable to receipt of prepayments relating to spectrum leasing and satellite minutes, write-off of deposits, amortization of deferred financing cost, impairment of property and equipment, decrease in stock-based compensation expense, and partially offset by increase in operating losses.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2010 was \$18.3 million as compared to net cash used in investing activities for the six months ended June 30, 2009 of \$67.9 million. The decrease of \$49.6 million is primarily attributable to a decrease in capital expenditures related to satellites.

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Financing Activities

Net cash used in financing activities for the six months ended June 30, 2010 was \$9.4 million as compared to net cash used in financing activities for the six months ended June 30, 2009 of \$2.2 million. The increase of \$7.2 million is primarily attributable to the payment of \$9.4 million for satellite orbital incentive in 2010 offset by \$2.2 million in dividends paid on Series A in 2009.

Contractual Cash Obligations

We have the following contractual commitments and debt obligations as of June 30, 2010:

(in thousands)

	<u>TOTAL</u>	<u><1YR</u>	<u>1 to 3 YRS</u>	<u>4-5 YRS</u>	<u>>5 yrs</u>
Satellites ^(a)	\$94,627	\$29,822	\$29,269	\$4,068	\$31,468
Leases	6,769	3,747	2,974	32	16
Network Equipment and Operational Services ^(b)	65,500	62,900	2,600	–	–
Preferred Stock Obligations ^(c)	435,078	435,078	–	–	–
Debt Obligations ^(d)	<u>1,776,504</u>	<u>2,982</u>	<u>1,773,522</u>	<u>–</u>	<u>–</u>
Total	<u>\$2,378,478</u>	<u>\$534,529</u>	<u>\$1,808,365</u>	<u>\$4,100</u>	<u>\$31,484</u>

(a) Includes commitment towards the TerreStar-2 Satellite relating to approximately \$50.1 million of orbital incentives, \$25.9 million of satellite construction and restart costs, \$10.7 million of satellite base and beam system contracts, and \$7.9 million for storage.

(b) The cost of certain development efforts are shared with other operators. We could incur additional commitments related to those efforts in the event that one or more of those operators discontinued their participation.

(c) Includes redemption obligation for Series A and Series B Preferred stock of \$408.5 million principal amount due on April 15, 2010. See Note 10-Stockholders' Equity for details.

(d) Debt Obligations are comprised of \$550 million TerreStar Notes due 2014, the \$150 million TerreStar Exchangeable Notes due 2014, and current borrowing under the TerreStar-2 Purchase Money Credit Agreement due 2013 for TerreStar-2, plus accrued interest. Refer to "Going Concern, Liquidity and Capital Resources" for details.

Off-Balance Sheet Financing

As of June 30, 2010, we did not have any material off-balance sheet arrangements as defined in Item 303(a) (4) (ii) under Regulation S-K.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our Annual Report on Form 10-K for the year ended December 31, 2009, as amended. Since the date of the

Annual Report, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our earnings and cash flows are exposed to market risk and can be affected by, among other things, general economic conditions, interest rate changes, foreign currency fluctuations, and changes in the market values of investments.

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Interest Rate Risk

Our exposure to market risks associated with changes in interest rates relates primarily to the increase or decrease in the amount of interest income earned on our investment portfolio. We ensure the safety and preservation of invested funds by primarily investing in money market funds. A hypothetical one percentage point decline in interest rates would not have materially affected the fair value of our interest-sensitive financial instruments as of June 30, 2010. We do not use derivative financial instruments for trading or speculative purposes. However, we regularly invest excess cash in money markets that are subject to changes in short-term interest rates. We believe that the market risk arising from holding these financial instruments is minimal.

We do not have a cash flow exposure to changing interest rates on our 15% Senior Secured PIK Notes, 6.5% Exchangeable Notes and 14% TerreStar-2 Purchase Money Credit Agreement other than additional interest contingent upon not meeting certain milestones according to the terms of the indentures.

Foreign Currency Risk

Our foreign subsidiaries generally use their domestic currency as their functional currency. Based on the current volume of transactions, the fluctuation in the exchange rates of these currencies against the U.S. dollar does not have a material impact on our results of operations.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of TerreStar Corporation's and TerreStar Corporation's management, including the Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in the rules promulgated under the Securities Exchange Act of 1934, as amended) as of June 30, 2010. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2010.

Changes in internal control over financial reporting

There has been no change to TerreStar Corporation's internal control over financial reporting that occurred during the quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, TerreStar Corporation's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

There has been no material developments during the quarter ended June 30, 2010 in the legal proceedings described in Note 15 to the condensed consolidated financial statements.

Item 1A. Risk Factors

“Item 1A. Risk Factors” of our Form 10-K for the year ended December 31, 2009, as amended, includes a discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Form 10-K for the year ended December 31, 2009, as amended.

We did not redeem our Series A and B Preferred Stock on April 15, 2010, which has resulted in a continuing redemption requirement of approximately \$435.1 million and provides the holders of the Series A and B Preferred Stock the right to elect directors to our Board and has caused a default under our TerreStar-2 Purchase Money Credit Agreement.

Our Series A Preferred Stock and Series B Preferred Stock, by their terms, were mandatorily redeemable on April 15, 2010 (the “Redemption Date”). Since all of the shares of Series A Preferred Stock were not redeemed on the Redemption Date, in addition to any other rights available, the holders of the Series A Preferred Stock have the right, subject to proper notice, voting as a single class with all other parity securities upon which like voting rights have been conferred and are exercisable, to elect two members to our board of directors until all outstanding shares of the Series A Preferred Stock have been redeemed. Similarly, since all of the shares of Series B Preferred Stock were not redeemed on the Redemption Date, in addition to any other rights available, the holders of the Series B Preferred Stock have the right, subject to proper notice, voting as a single class with all other parity securities upon which like voting rights have been conferred and are exercisable, to elect a majority of members to our board of directors until all outstanding shares of the Series B Preferred Stock have been redeemed. Such board election rights of the Series A Preferred Stock and Series B Preferred Stock holders will become effective, only if our failure to redeem continues for 30 consecutive days following notice to us of our failure to redeem is given by the holders of at least 25% of the Series A Preferred Stock or the Series B Preferred Stock, as the case may be, then outstanding. We have received indications from certain parties that holders of the Series A and B Preferred Stock intend to exercise their rights to elect members to our board of directors due to our failure to redeem the Series A and B Preferred Stock on the Redemption Date. Additionally, because all of the shares of Series A and B Preferred Stock have not been exchanged, converted into shares of our common stock or redeemed, we have had an ongoing redemption requirements of approximately \$435.1 million, including accrued dividends, as of June 30, 2010.

Since we have not timely redeemed the Series A and B Preferred Stock, to the extent of funds legally available in excess of \$10 million to redeem preferred stock pursuant to Delaware Law, a default has occurred under our Credit Agreement, that unless cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$72.6 million becoming immediately due and payable. Upon the occurrence of an event of default, the Credit Agreement permits the holders of 30% or more of the outstanding amounts due under the Credit Agreement to elect to accelerate any indebtedness to such lender under the Credit Agreement. If the holders of 30% or more of the outstanding amounts due under the Credit Agreement elect to accelerate the Credit Agreement and such acceleration is not timely withdrawn, an event of default would occur under the respective indentures for our 15% Senior Secured PIK Notes due 2014 and 6.5% Exchangeable PIK Notes due 2014 that if not timely cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$1,077.8 million becoming immediately due and payable.

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We Are Not Cash Flow Positive, And We Will Need Additional Liquidity To Fund Our Operations And Fully Fund All Of Our Necessary Capital Expenditures including the ability to service our debt obligations. To the extent that we are unable to successfully seek additional liquidity to fund our operations and fully fund all of our necessary capital expenditures, including the ability to service our debt obligations, we may need to initiate proceedings for relief under Chapter 11 of Title 11 of the United States Code.

We do not generate sufficient cash from operations to cover our operating expenses, and it is unclear when, or if, we will be able to do so. Even if we begin to generate cash in excess of our operating expenses, we expect to require additional funds to meet capital expenditures and other non-operating cash expenses, including but not limited to capital expenditures required to complete and launch our satellite currently under construction. Based on our current business plan, there is substantial doubt that we have sufficient liquidity required to continue operations as planned.

There can be no assurance that the sources of liquidity will provide sufficient funds in the amounts or at the time that funding is required. In addition, if our ability to realize such liquidity from any such source is delayed or the proceeds from any such source are insufficient to meet our expenditure requirements as they arise, we will seek additional equity or debt financing, although such additional financing may not be available on reasonable terms, if at all.

We have been exploring numerous strategic and financing alternatives to address our balance sheet and the ability to service our debt obligations, and we have retained legal and financial advisors, both in the United States and Canada, to assist us. We have also commenced restructuring discussions with certain holders of our 15% Secured Notes and 6.5% Exchangeable Notes. As of June 30, 2010, discussions with these stakeholders were ongoing, and they remain ongoing as of the filing of the report in which these financial statements appear. Additionally, we have commenced discussions with some of our major contract counterparties to address the liquidity requirements. There can be no assurances that our strategic and financing alternatives will be successful or consummated. In the event that none of the various alternatives is consummated, we may need to initiate proceedings for relief by making voluntary bankruptcy filing under Chapter 11 of Title 11 of the United States Code to, among other things, reorganize our capital structure. The factors noted above raise substantial doubt about our ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Since we have not timely redeemed the Series A and B Preferred Stock, to the extent of funds legally available in excess of \$10 million to redeem preferred stock pursuant to Delaware Law, a default has occurred under our Credit Agreement, that unless cured or waived would, if accelerated, result in obligations as of June 30, 2010, of approximately \$72.6 million becoming immediately due and payable.

Item 4. Removed and Reserved

Item 5. Other Information

None.

Item 6. Exhibits

The Exhibit Index filed herewith is incorporated herein by reference.

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
10.1†	Amendment No. 2 dated April 28, 2010 to the Master Supply Agreement dated December 1, 2009 by and between TerreStar Corporation, TerreStar Networks and Elektrobit, Inc.
10.2†*	Amendment No. 2 Statement of Work 3 dated February 1, 2010 to the Master Development and License Agreement dated August 10, 2007 by and between TerreStar Networks and Elektrobit, Inc.
10.3†*	Exclusivity Agreement dated May 6, 2010 among TerreStar Corporation, TerreStar Networks Inc., SkyTerra LP, SkytTerra Communications Inc. and HGW Holding Company LP
10.4†*	Satellite Minutes Agreement dated May 6, 2010 among TerreStar Networks Inc, SkyTerra Communications Inc. and SkyTerra LP.
31.1†	Certification Pursuant to Rule 13a-14(a)/15d-14(a), of President and Chief Executive Officer (principal executive officer).
31.2†	Certification Pursuant to Rule 13a-14(a)/15d-14(a), of Chief Financial Officer (principal financial officer).
32†	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of President and Chief Executive Officer, (principal executive officer) and Chief Financial Officer (principal financial officer).

† Filed herewith.

* Filed herewith and pursuant to a confidential treatment request for certain portions of this document

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Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERRESTAR CORPORATION

(Registrant)

/s/ JEFFREY W. EPSTEIN

Jeffrey W. Epstein
Chief Executive Officer
(Principal Executive Officer)

/s/ VINCENT LOIACONO

Vincent Loiacono
Chief Financial Officer
(Principal Financial Officer)

Dated: August 6, 2010

AMENDMENT # 2

THIS AMENDMENT NO. 2 (“Amendment”) to the MASTER SUPPLY AGREEMENT between TerreStar Corporation, a Delaware corporation, on behalf of itself and its affiliated companies, including TerreStar Networks Inc., having an office at 12010 Sunset Hills Road, Sixth Floor, Reston, Virginia 20190 (“TerreStar”) and Elektrobit Inc., a Delaware corporation having an office at 22745 29th Drive SE, Suite 200, Bothell, Washington 98021 (“EB”), dated December 1, 2009 (the “Agreement”), is made this **28th day of April, 2010** (“Effective Date”) by and between TerreStar and EB. Capitalized terms that are not otherwise defined in this Amendment have the meaning defined in the Agreement.

RECITALS:

WHEREAS, the Parties wish to define the additional terms and conditions related to the software distribution and the end user license agreement that were agreed by the Parties to be defined after the effective date of the Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. The Parties have agreed to amend the Agreement as follows:

a. Section 7.1 of Product Supplement A is replaced in its entirety with the following:

“7.1 Additional Terms and Conditions for Distribution License

1. No Implied Licenses. Except for the rights defined in the Agreement, there are no other rights or licenses conveyed under this Agreement, whether expressly, by implication, estoppel or otherwise.

2. Standalone Distribution. TerreStar must not advertise, give a separate price for, or otherwise market or distribute the Product software or any part of the Product software, as a separate item from the Product.

3. Limited Distribution. The Traditional Chinese language version of the Product software must not be distributed by TerreStar within or to the People’s Republic of China.

4. COA’s (Certificate of Authenticity’s) and APM’s. TerreStar must deliver the COA (a non-removable sticker specific to the Product software) and APM (associated product materials designated as a part of the Product software, e.g. documentation and external media containing software) together with each Product.

5. Changes; Notices. TerreStar may not modify or change the Product software. TerreStar shall not remove or obscure any copyright tags, product markings, trademarks or other symbols or notices appearing in or on the Product software.

6. Excluded Licenses. This Agreement does not provide for or include any right or license to perform or cause any actions to be performed that would require the Product software to be licensed under open source license terms.

7. End User License Agreement. TerreStar must notify each end user before or at the time of purchase that the Product contains software that is subject to end user license terms for software.

8. Design Restrictions on High Risk Activities. The Product software is not fault-tolerant and is not designed, manufactured or intended for any use requiring fail-safe performance in which the failure of a software could lead to death, serious personal injury, severe physical or environmental damage (“High Risk Activities”). This includes the operation of aircraft or nuclear facilities. TerreStar agrees not to use, or license the use of, the Product software in connection with any High Risk Activities.

9. Restricted Rights Notice. Any distribution of the Product software to a U.S. Government entity or U.S. Government subcontractor shall be accompanied by the following RESTRICTED RIGHTS NOTICE:

“Software has been developed entirely at private expense and is commercial computer software provided with RESTRICTED RIGHTS. Use, duplication or disclosure by the U.S. Government or a U.S. Government subcontractor is subject to the restrictions set forth in the license agreement under which software was obtained pursuant to DFARS 227.7202-3(a) or as set forth in subparagraphs (c)(1) and (2) of the Commercial Computer Software–Restricted Rights

clause at FAR 52.227-19, as applicable. Contractor/manufacturer is Elektrobit Inc. (together with its licensors), at 22745 29th Drive SE, Suite 200, Bothell, Washington 98021, USA.”

10. Breach. If TerreStar breaches these terms, EB may stop distributing Products to TerreStar within 10 days of becoming aware of the breach (unless TerreStar has cured that breach within that time). In addition, EB may stop any distribution of Product to TerreStar immediately upon notice from Microsoft Corporation or its Affiliate (“Microsoft”) if Microsoft has reasonably determined that (i) TerreStar is unlikely to cure its breach, or (ii) immediate action is required to protect Microsoft intellectual property.

11. Suspension. In the event of termination of any third party software license due to reasons not attributable to EB, which software is included in the Product software, EB may stop the distribution of the Products to TerreStar containing such included software only. EB shall use its best commercial efforts to obtain from market sources a functionally equivalent replacement of such software that meets the Product Specifications and is reasonably acceptable to TerreStar and the Parties shall mutually agree on the use of such replacement software and on any price adjustment to take into account any increased cost resulting from such replacement. In addition, in the event of termination of any third party trademark license, which trademark is used in the Product or Documentation, EB may stop the distribution of such Products and Documentation to TerreStar and may instead distribute Products and Documentation that do not contain such trademarks. EB shall provide written notice to TerreStar promptly after EB becomes aware of any adverse change to the software licensing terms or impending termination of any third party software license for software included in a Product.

12. Third Party License Fees. For Products sold or otherwise distributed by EB to TerreStar under the Agreement, TerreStar is responsible for the payment of license fees and royalties, if any, towards third parties related to TerreStar Background Rights and the following TerreStar Technology items (i) HNS technology, (ii) ATC Technologies, LLC technology, (iii) DVSI technology and (iv) Comneon technology.

13. Indemnity. TerreStar agrees that it shall indemnify, defend and hold the EB Indemnitees harmless from and against any and all Losses resulting from any third party claim against an EB Indemnitee arising from TerreStar’s failure to comply with or breach of any of the provisions in this Section 7.1. EB agrees that it shall indemnify, defend and hold the TerreStar Indemnitees harmless from and against any and all Losses resulting from any third party claim against a TerreStar Indemnitee arising from EB’s failure to comply with or breach of any of the provisions in any third party software license agreement between EB and a third party software licensor applicable to the software in a Product.

b. Section 7.2 of Product Supplement A is replaced in its entirety with the following:

“7.2 End User License Agreement

END USER LICENSE AGREEMENT FOR SOFTWARE

IMPORTANT. READ CAREFULLY: This End User License Agreement (“EULA”) is a legal agreement between (a) you and (b) TerreStar Networks Inc. (“TerreStar”) and Elektrobit Inc. (“Company”). This EULA applies to the software included on this device. The software also includes any separate media on which you received the software. The software on this device includes software licensed from Microsoft Corporation or its affiliate (“Microsoft”) and other third parties. This EULA also applies to any printed materials, electronic documentation, updates, supplements, Internet-based services, and support services for this software, unless other terms accompany those items. If so, those terms apply.

As described below, using some features also operates as your consent to the transmission of certain standard computer information for Internet-based services.

By installing, copying, downloading, accessing or otherwise using the software, including use on this device, you agree to be bound by the terms of this EULA. If you do not accept the terms in this EULA, do not use the device or software. Instead, contact your place of purchase to determine its return policy for a refund or credit.

WARNING: If the software contains voice operated technologies, then operating this software requires user attention. Diverting attention away from the road while driving can possibly cause an accident or other serious consequence. Even occasional, short diversions of attention can be dangerous if your attention is diverted away from your driving task at a critical time. TERRESTAR, Company and THEIR licensors and suppliers make no representations, warranties or other determinations that **ANY USE OF THIS SOFTWARE IS LEGAL, SAFE, OR IN ANY MANNER RECOMMENDED OR INTENDED WHILE DRIVING OR OTHERWISE OPERATING A MOTOR VEHICLE.**

If you comply with the terms of this EULA, you have the rights below.

1. **USE RIGHTS.** You may use the software on the single device with which you acquired the software.
2. **ADDITIONAL LICENSING REQUIREMENTS AND/OR USE RIGHTS.**
 - a. **Specific Use.** You may only use the software for the specific use the device was designed for.

- b. Included Microsoft Programs and Additional Required Licenses.** Except as provided below, the terms of this EULA apply to all Microsoft programs included with the software. If the license terms with any of those programs give you other rights that do not expressly conflict with the terms of this EULA, you also have those rights.
- i. This EULA does not grant you any rights with respect to the Windows Mobile Device Center, Microsoft ActiveSync or Microsoft Outlook 2007 Trial which are subject to the licenses accompanying those items.
- c. Speech Recognition.** If the software includes speech recognition component(s), you understand that speech recognition is an inherently statistical process and that recognition errors are inherent in the process. TerreStar, Company or their third party licensors and suppliers shall not be liable for any damages arising out of errors in the speech recognition process.
- d. Phone Functionality.** If the software includes phone functionality, all or certain portions of the software may be inoperable if you do not have and maintain a service account with a wireless telecommunication carrier (“Mobile Operator”), or if the Mobile Operator’s network is not operating or configured to operate with the device.
- 3. SCOPE OF LICENSE.** The software is licensed, not sold. This EULA only gives you some rights to use the software. TerreStar, Company and their third party licensors and suppliers reserve all other rights. The software is protected by copyright and other intellectual property laws and treaties. TerreStar, Company or their third party licensors and suppliers own the title, copyright and other intellectual property rights in the software. Unless applicable law gives you more rights despite this limitation, you may use the software only as expressly permitted in this EULA. In doing so, you must comply with any technical limitations in the software that allow you to use it only in certain ways. You may not work around any technical limitations in the software or reverse engineer, decompile or disassemble the software or alter, transfer, modify, incorporate into or with other software or create a derivative work of any part of the software or make more copies of the software than specified in this EULA or publish the software for others to copy or rent, lease or lend the software or use the software for commercial software hosting services or remove any proprietary, copyright, trade secret or warning legends from software or copies.

Except as expressly provided in this EULA, rights to access the software on this device do not give you any right to implement Microsoft patents or other Microsoft intellectual property in software or devices that access this device.

You may use remote access technologies in the software such as Remote Desktop Mobile to access the software remotely from a computer or server. You are responsible for obtaining any licenses required for use of the protocols to access other software.

- 4. INTERNET-BASED SERVICES.** Microsoft provides Internet-based services with the software. Microsoft may change or cancel them at any time.
- a. Consent for Internet-Based Services.** The software features described below connect to Microsoft or service provider computer systems over the Internet. In some cases, you will not receive a separate notice when they connect. You may switch off some of these features or not use them. For more information about these features, visit <http://go.microsoft.com/fwlink/?LinkId=81931>.

By using these features, you consent to the transmission of this information. Microsoft does not use the information to identify or contact you.

Device Information. The following features use Internet protocols, which send to the appropriate systems device information, such as your Internet protocol address, the type of operating system, browser and name and version of the software you are using, and the language code of the device where you installed the software. Microsoft uses this information to make the Internet-based services available to you.

Windows Mobile Update Feature. The Windows Mobile Update feature provides you the ability to obtain and install software updates on your device if updates are available. You may choose not to use this feature. TerreStar and/or your Mobile Operator may not support this feature or an update for your device.

Windows Media Digital Rights Management. Content owners use Windows Media digital rights management technology (WMDRM) to protect their intellectual property, including copyrights. This software and third party software use WMDRM to play and copy WMDRM-protected content. If the software fails to protect the content, content owners may ask Microsoft to revoke the software's ability to use WMDRM to play or copy protected content. Revocation does not affect other content. When you download licenses for protected content, you agree that Microsoft may include a revocation list with the licenses. Content owners may require you to upgrade WMDRM to access their content. Microsoft software that includes WMDRM will ask for your consent prior to the upgrade. If you decline an upgrade, you will not be able to access content that requires the upgrade.

- b. Misuse of Internet-based Services.** You may not use these services in any way that could harm them or impair anyone else's use of them. You may not use the services to try to gain unauthorized access to any service, data, account or network by any means.
5. **CONSENT TO USE OF DATA.** You agree that TerreStar may collect and use technical information gathered as part of the product support services related to the software provided to you, if any. TerreStar may use this information solely to improve its products or to provide customized services or technologies to you and will not disclose this information in a form that personally identifies you.
 6. **DIGITAL CERTIFICATES.** The software uses digital certificates in X.509 format. These digital certificates are used for authentication.
 7. **CONNECTIVITY SOFTWARE.** Your device package may include Windows Mobile Device Center or Microsoft ActiveSync software. If it is included, then you may install and use it in accordance with the license terms that are provided with it. If no license terms are provided, then you may install and use only one (1) copy of the software on a single computer.
 8. **NETWORK ACCESS.** If you are using a network, such as an employer network, the network administrator may limit features or functionality on your device.
 9. **PRODUCT SUPPORT.** Contact TerreStar for support options. Refer to the support number provided with the device.
 10. **LINKS TO THIRD PARTY WEBSITES.** If the software provides links to third party websites, those links are provided to you only as a convenience, and the inclusion of any link does not imply an endorsement of the third party website by TerreStar, Company or Microsoft.
 11. **BACKUP COPY.** You may make one backup copy of the software. You may use it only to reinstall the software on the device.
 12. **PROOF OF LICENSE.** If you acquired the software on the device, or on a disc or other media, a genuine Certificate of Authenticity label with a genuine copy of the software identifies licensed software. To be valid, this label must be affixed to the device, or included on or in TerreStar's software packaging. If you receive the label separately, it is not valid.
 13. **TRANSFER TO A THIRD PARTY.** You may transfer the software only with the device, the Certificate of Authenticity label, and the terms of this EULA directly to a third party. Before the transfer, that party must agree that the terms of this EULA apply to the transfer and use of the software. You may not retain any copies of the software including the backup copy.
 14. **RESTRICTED USE.** The software was designed for systems that do not require fail-safe performance. You may not use the software in any device or system in which a malfunction of the software would result in foreseeable risk of injury or death to any person. This includes operation of nuclear facilities, aircraft navigation or communication systems and air traffic control.
 15. **NO WARRANTIES FOR THE SOFTWARE.** The software is not fault tolerant. The software is provided "as is". You expressly acknowledge and agree that you bear all risks of using it and that the entire risk as to satisfactory quality, performance, accuracy and effort is with you. TerreStar, Company and their third party licensors and suppliers (collectively referred to as the "Licensors" for the purposes of sections 15 and 16 only) give no express warranties, guarantees or conditions. Any warranties you receive regarding the software do not originate from, and are not binding on the Licensors. WHEN ALLOWED BY YOUR LOCAL LAWS, THE LICENSORS HEREBY DISCLAIM ALL WARRANTIES AND CONDITIONS WITH RESPECT TO THE SOFTWARE, EITHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES AND/OR CONDITIONS OF MERCHANTABILITY, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT.
 16. **LIABILITY LIMITATIONS.** Notwithstanding any damages you might incur, you can recover from the Licensors only direct damages up to fifty U.S. Dollars (U.S. \$50.00), or equivalent in local currency. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, IN NO EVENT SHALL THE LICENSORS BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES WHATSOEVER (INCLUDING, BUT NOT LIMITED

TO, DAMAGES FOR LOSS OF PROFITS OR CONFIDENTIAL OR OTHER INFORMATION, FOR BUSINESS INTERRUPTION, FOR PERSONAL INJURY, FOR LOSS OF PRIVACY ARISING OUT OF OR IN ANY WAY RELATED TO THE USE OF OR INABILITY TO USE THE SOFTWARE, OR OTHERWISE IN CONNECTION WITH ANY PROVISION OF THIS EULA).

This limitation applies to anything related to the software, services, content (including code) on third party internet sites, or third party programs, and claims for breach of contract, breach of warranty, guarantee or condition, strict liability, negligence, or other tort to the extent permitted by applicable law.

The foregoing limitations, exclusions and disclaimers (including section 15) also apply even if the Licensors should have been aware of the possibility of the damages and even if any remedy fails its essential purpose. The above limitation may not apply to you because your country may not allow the exclusion or limitation of incidental, consequential or other damages.

17. **EXPORT RESTRICTIONS.** The software is subject to United States and other countries export laws and regulations. You must comply with all domestic and international export laws and regulations that apply to the software. These laws include restrictions on destinations, end users and end use. In particular, the software and related documentation and any derivatives thereof are not to be (i) downloaded, exported, or re-exported (including any “deemed export”), directly or indirectly, in violation of such export laws or (ii) used for any purpose prohibited by the export laws. You represent and warrant that you (i) are not listed on any U.S. Government list of restricted or debarred entities, specially designated nationals, or blocked or denied persons, any unverified list, or any similar list that would prevent you from acquiring or licensing the software and documentation and (ii) are not otherwise ineligible to acquire or license the software and documentation.
 18. **U.S. GOVERNMENT END USERS.** The software is licensed only with “restricted rights” and as “commercial items” consisting of “commercial software” and “commercial software documentation” and with only those rights as are granted to all other end users pursuant to the terms and conditions herein. Nothing in this EULA requires TerreStar, Company or their licensors and suppliers to produce or furnish technical data for or to you.
 19. **TERMINATION.** This EULA is effective until terminated. Your rights under this EULA will terminate automatically without notice if you fail to comply with any of the terms and conditions of this EULA. Upon termination of this EULA, you shall cease all use of the software and destroy all copies, full or partial, of the software.
 20. **ENTIRE AGREEMENT; SEVERABILITY.** This EULA is the entire agreement between you, TerreStar and Company relating to the software and supersedes all prior or contemporaneous oral or written communications, proposals and representations with respect to the software or any other subject matter covered by this EULA. If any provision of this EULA is held to be void, invalid, unenforceable or illegal, the other provisions shall continue in full force and effect.”
2. Except as specifically amended, the Agreement remains in full force and effect, and is ratified and confirmed.
 3. In the event of any conflict between any terms and conditions of the Agreement and this Amendment, the terms and conditions of this Amendment shall prevail over the Agreement.

IN WITNESS WHEREOF, the Parties have duly executed this Amendment as of the Effective Date set forth above.

ELEKTROBIT INC.

By:
Name: Jani Lyrantzis
(Print or type)
Title: Vice President and General Manager

TERRESTAR CORPORATION

By:
Name: Vincent Loiacono
(Print or type)
Title: Chief Financial Officer

**Amendment #2 of Statement of Work #3 (“SOW3 amendment”)
Between Elektrobit, Inc. (“EB”) and TerreStar Networks, Inc. (“TSN”), effective as
of the 1st day of February, 2010**

1. INTRODUCTION

This SOW3 amendment is made this 1st day of February 2010 by and between Elektrobit Inc. (“Elektrobit” or “EB”) and TerreStar Networks Inc. (“TerreStar” or “TSN”) for the StarComm (Commercial 2G/3G/SAT PDA) (“Genus Product” or “Handset”) program activities from February 1st, 2010 until the Genus Product achieves M10 TerreStar Technical Acceptance and M11 FF3.2 Handset build approval as set forth in this SoW3 amendment (but excluding and Post Engineering and Service and Repair activities to be agreed separately), and is pursuant to the Master Development and Licensing Agreement between Elektrobit and TerreStar dated August 10, 2007, as amended (“Agreement”). Capitalized terms that are not otherwise defined in this SOW3 amendment have the meaning defined in the Agreement.

Under this SOW3 amendment, EB will complete the StarComm program with successful completion of the Milestones set forth in Section 4.1 below and as otherwise set forth in the Agreement. It is understood that within the stated scope of this SOW3 amendment, EB will provide Services and Deliverables specified here to get the Handset certified and ready for Initial Operational Capability (IOC) as provided in this SoW3 amendment.

TerreStar Requirement Specification (Starcomm Requirements_SOW3.xls, v.5.0.0, Sep 15, 2009; or later version, if mutually agreed by both parties) and AT&T Compliance Matrix (as agreed to on February 19, 2010 but including the 42 Group A Application test cases [***] under the Agreement. This will exclude [***]. These items will be reviewed and accepted in M10 milestone acceptance. If there are [***] requirements.

2. SOW3 AMENDMENT OVERVIEW

The estimated schedule and budget outlined in the original Statement of Work #3 as amended have been significantly changed because of the Changes concerning the scope and Specifications [***]:

[***]

For avoidance of doubt, this SOW3 amendment will amend the original Statement of Work #3 and its amendments. And the original Statement of Work #3 will remain in force to the extent not amended by this SoW3 amendment. Further, the EB Deliverables and Services performed before the effective date of this SoW3 amendment will be governed by the original Statement of Work #3 and its first amendment.

3. PERIOD OF PERFORMANCE

Based on the planned schedule the period of Deliverables and Services by EB under this SOW3 amendment is approximately [***] months, starting February 1st, 2010. The planned end-date as of the effective date of this SOW3 amendment is anticipated to be [***].

4. SCOPE

Sections 4.1 and 4.2 describe EB Milestone-based Deliverables and EB Services including support packages. The official Change Control Process currently in place between TSN and EB under the Agreement will be followed for Changes to the scope of this SOW3 amendment including Deliverables, main program schedule, Specifications, dependencies (including but not limited to the AT&T approval process and its time schedule and Satellite integration camp 3) and scope of Services.

The Parties acknowledge that the scope of this SOW3 amendment excludes certain critical pre-launch operational activities, related to manufacturing ramp-up, forward and reverse logistics, after market services and repair work. Such items include but are not limited to a product tracking system and server(s).

As part of this SOW3 amendment, [***] will be delivered to and used by EB for research and development purposes and [***] units will be delivered to TerreStar for internal use. All [***] units of the [***] will be delivered to TerreStar and will be commercially saleable units that will not qualify for warranty coverage but will have commercial IMEIs. Re-flashing of software to a commercially accepted release will be necessary prior to sale of any such units. TerreStar will be responsible for any re-flashing of these Handsets to commercially acceptable releases. Material and labor costs resulting from [***] and [***] builds are covered by this SOW3 amendment or prior SOWs as the case may be. To the extent that PTCRB approval is not achieved prior to the planned build of [***], TerreStar and EB will determine appropriate course of action at that time.

The terms and conditions for commercial product deliveries ([***] onwards) are defined in the Master Supply Agreement dated December 1, 2009 between the EB and TerreStar Corporation (“MSA”).

The Parties plan to negotiate terms related to such Post Engineering and Service and Repair activities in a reasonable time before product launch.

4.1. EB Deliverables based on milestones

The following table includes major Milestones and their Deliverables for StarComm product development during the SOW3 amendment period of performance. EB shall schedule a review of these Milestone documents no later than 3 business days after release to TerreStar and shall receive acceptance from TerreStar within 5 business days of release to TerreStar (unless deviations are unresolved at that time).

All Deliverables and Acceptance criteria are based on known and agreed upon Specifications from TerreStar and from 3rd parties (e.g. Microsoft, Hughes, Comneon, component vendors, etc.) at the SOW3 amendment effective date. Changes in these Specifications will be handled as official Change Requests.

StarComm Product development program Milestone schedule with the Deliverables

<u>ID</u>		<u>Date</u>	<u>Deliverable / Acceptance criteria</u>
<u>(EB)</u>			
M1a	Start of SOW3 amendment	[***]	[***]
M1b	[***]	[***]	[***]
M2	[***]	[***]	[***]

M3	[***]	[***]	[***]
M5	[***]	[***]	[***]
M6	[***]	[***]	[***]
M7	[***]	[***]	[***]
	[***]	[***]	[***]
M8			

M9	[***]	[***]	[***]
M10	[***]	[***]	[***]
M11	[***]	[***]	[***]

4.2. Scope of Work

The EB Services in addition to Deliverables set forth in Section 4.1 above under this SOW3 amendment through M11 are as follows:

1. Support for Satellite Network integration (including support for [*)**

[***)

2. Support for [***], related test requirement activities, and bug fixing

[***]

3. Support work for [***]

4. Support for [***]

5. Mininet support

[***]

6. TerreStar Friendly User Trial Support

EB shall support Friendly User trials comprised of TerreStar internal, TerreStar vendors, AT&T internal and AT&T customer trial participants as detailed below. Such trial activity is expected to commence in late February and continue until the middle of May.

EB will support planning of TSN FUT trials by its Reston on-site support resources.

EB will provide technical support (troubleshooting) by its Reston on-site support resources.

TSN will filter out non-errors and already identified errors based on the error database.

EB will review and analyze TerreStar reports from its FUT trials no more than once a week.

EB will provide feedback and take corrective actions at its discretion based on the FUT trial feedback.

EB will report new, repeatable SW and HW errors in the error database and provide ETA for correction.

7. Reston/US-Based On-Site Support

EB shall maintain one SW and one HW/RF resource to support TerreStar at their facilities. Support will be given during normal office hours. Should support be needed during the weekends or evenings, the resources may be permitted to take regular work time at EB' s discretion.

8. Support for user documentation, usability testing and improvements planning

- EB will provide a full-time Product Management resource and manage EB' s subcontractors to drive completion the following tasks by [***]:

User-facing documentation finalization (including in-box, website and marketing materials finalization as it relates to operation of the device and accessories).

Packaging finalization including sales box, sales box labeling, revisions to art and logoing, accessory design, accessory packaging, accessory labeling.

User Interface Specification finalization (i.e., changes may be identified and included in the specification but the work may not be completed until a later time.)

Overall user experience report (including 2G/3G, Satellite, custom radio network selection functionality and Windows Mobile operation) OOBR (Out-Of-the-Box Readiness) review by TerreStar and feedback. All requirements and content shall be frozen by [***].

9. Support and Successful Execution of Certifications and Re-Certifications

EB shall be responsible for obtaining the following certifications: PTCRB, FCC, WiFi, Bluetooth, IEEE 1725/CTIA Battery, USB, Microsoft Windows Logo, AVL, ETL.

10. TerreStar agrees to make the following payments as partial payments for outstanding EB invoices for services and material costs incurred in [***]
11. EB shall perform work to enable facilitated software update for [***] software elements (refer to CRs 11 and 16 for details).
12. EB shall implement changes to accommodate OTA SMS as defined in CR 15.
13. **Support for Satellite Network integration (including support for [***])**
[***]

-
- a. Any material changes to the program scope will be considered to require a Change Request.
 - b. Manufacturing of production devices that will be sold to commercial customers is not be included in this amendment or Agreement and will be covered under the Master Supply Agreement Product Supplement.

5. IMPACT OF CHANGES RELATED TO TERRESTAR CONTROLLED ITEMS

EB and TerreStar acknowledge that certain items in this SOW3 amendment are under TerreStar control and not under EB control. These items include, but are not limited to the operation and availability of the TerreStar-1 Satellite Network, [***], including [***] defined in section 4.2, Scope of Work. EB will be responsible for the cost of additional work beyond that contemplated by this SOW3 amendment and/or delays in completing the Milestones set forth in Section 4.1 to the extent such additional work or delays are the result of factors or circumstances that are under direct EB responsibility and control. Additionally, EB will absorb the cost of changes resulting from TerreStar controlled items that do not have an impact on the overall program schedule under this SoW3 amendment (final Milestone of this SoW3 amendment) or do not require EB to assign new resources or additional resources to the program, or otherwise impact the amount of work of EB. For use in enforcing the terms of this Section 5, Program resource plan will be attached on Schedule 2 and the program time schedule/project plan is presented on Section 4. TerreStar will be responsible for additional costs resulting from any other changes.

6. TERRESTAR FURNISHED ITEMS

The following table lists TerreStar Furnished Items to EB which originate from Program Parties or third parties.

<u>TerreStar Furnished Item</u>	<u>Delivery Date or</u>	
	<u>Milestone</u>	<u>Item to be Delivered to EB</u>
TerreStar approved compliance matrix	M1	[***]
Acceptance criteria for Product	M1	[***]
[***]	M2	[***]
[***]	[***]	[***]
[***]	M1a	[***]
[***]	M1	[***]
[***]	M1	[***]
[***]	M1	[***]

7. PLACE OF PERFORMANCE AND DELIVERY TERMS

EB will perform the work primarily on EB premises in Finland. Manufacturing of the StarComm prototype Handsets shall be done by [***]. The Parties acknowledge that there is a need for integration camps and review meetings with TerreStar and third parties at their premises and potentially at other locations. Further, travelling to [***] is also needed during the project. All Travelling during the period of performance need to be accepted by TerreStar and will be invoiced.

8. ACCEPTANCE OF DELIVERABLES

EB shall notify TerreStar of any change to delivery schedule of any Milestones identified herein and will notify TerreStar of the availability and location of Milestone documents for review by TerreStar. EB shall schedule a walkthrough of all Milestone documents identified herein and shall work with TerreStar to finalize the content of such documents (See Section 4.2). With respect to Milestone acceptances under this SoW3 amendment, TSN will notify EB of its acceptance or rejection of the Milestone within the five (5) business day Acceptance Periods and TerreStar shall not unduly withhold such acceptance. EB and TerreStar shall meet regularly to review the status of Milestones and Milestone acceptances.

The Acceptance Test Plan consists of the “SOW3 TSN TA Criteria.xls” document.

In addition to and notwithstanding the events of acceptance defined in Section 5.3 of the Agreement, the Deliverables will be deemed to be accepted by TerreStar in the event TerreStar takes the Deliverables into commercial use.

9. PRICING AND PAYMENTS

The services under this SOW3 amendment will be performed on a time and materials basis including materials, travel and other expenses.

Billing, payment and other terms and conditions shall be according to the Agreement. If TerreStar terminates the Agreement before the end date of this SOW3 amendment TerreStar shall pay for work completed as of the termination date and an early termination fee which equals to the amount of the last EB monthly invoice prior to the termination date.

The services defined in this amendment shall not exceed USD \$20,200,000 (Twenty Million Two Hundred Thousand Dollars) without TerreStar' s prior written approval. EB shall notify TerreStar immediately upon determining that the Services under this amendment are likely to exceed such amount.

9.1. Payment

Payment terms are thirty (30) days after receipt of EB' s invoice and, as otherwise set forth in section 2.1.4 of the Agreement.

10. CONSULTANT MANAGEMENT AND THIRD PARTY COORDINATION

The EMOC meeting will be called upon to resolve any issue in day-to-day aspects of the support effort.

Items that can not be addressed or decided in the EMOC will be taken to the Steering Committee for resolution.

TSN is responsible for coordinating between EB, Hughes Network Systems, LLC ("Hughes") and Comneon ("Comneon"). In the event that a dispute arises between EB and Hughes or EB and Comneon, TSN will provide the final resolution to any such dispute.

11. STEERING COMMITTEE

TSN and EB shall each appoint individuals who shall together serve as the Steering committee.

<u>Name</u>	<u>TerreStar</u>		<u>EB</u>	
	<u>Technical</u>	<u>Business</u>	<u>Technical</u>	<u>Business</u>
	[***]	[***]	[***]	[***]

12. INTELLECTUAL PROPERTY RIGHTS

Ownership and license rights for any EB deliverables provided under this SOW3 amendment are covered by Section 6 (Ownership of Work Product) of the Agreement.

Notwithstanding the provisions of the Agreement, and with regard to EB' s design requirements and design for an [***], EB hereby grants to TerreStar the ownership rights set forth in Section 6.1 and each Party hereby grants to the other Party the license rights as set forth in Section 2.4.2, provided, however, that such license shall be [***]. For clarity, each Party acknowledges that the other Party shall not be liable for any Up Front Fee or Per Device Royalty with regard to such Party' s use and licensing of the [***]. Further, the Parties acknowledge and agree that the afore mentioned documents are provided "AS-IS", without protection of any kind and any and all warranties or conditions, whether express or implied, or statutory including the implied warranties of title, merchantability, satisfactory quality, non-infringement and fitness for a particular purpose are hereby excluded to the greatest extent permitted by law.

IN WITNESS WHEREOF the Parties here to have caused this SOW3 amendment to be executed by their respective duly authorizes representatives as of the last date written below (the "Effective Date")

TerreStar Networks Inc.

Elektrobit Inc.

By: _____

By:

Name: Jeffrey Epstein

Name: Jani Lyrintzis

Title: President and CEO

Title: VP & GM

Date: May 7, 2010

Date: May 7, 2010

Exclusivity Agreement

This Exclusivity Agreement (this "Agreement") dated May 6, 2010 is among TerreStar Corporation ("TerreStar"), TerreStar Networks Inc. ("Networks" and together with TerreStar, the "Company"), SkyTerra LP, SkyTerra Communications, Inc. and HGW Holding Company, L.P. ("HGW Holding Company" and together with SkyTerra LP and SkyTerra Communications, Inc., "SkyTerra"). The Company and SkyTerra are each referred to herein as a "party" and collectively referred to herein as the "parties".

Background

The Company and SkyTerra desire to have negotiations regarding certain transactions (the "Proposed Transaction") described in that certain draft term sheet attached hereto (the "Term Sheet"). Such negotiations began pursuant to a prior exclusivity agreement between the Company, HGW Holding Company and certain affiliates of HGW Holding Company. Although affiliates of SkyTerra will have the right to be involved in such negotiations and subject to SkyTerra's right to assign this Agreement pursuant to Section 7(c), SkyTerra LP will be the SkyTerra entity primarily engage in such negotiations.

Contemporaneously with the execution of this Agreement, and in consideration of the Company entering into this Agreement, SkyTerra LP and SkyTerra Communications, Inc. are entering into a Satellite Minutes Agreement (the "Satellite Agreement") with Networks pursuant to which SkyTerra LP and SkyTerra Communications, Inc., subject to the terms and conditions in the Satellite Agreement, will purchase from Networks mobile satellite minutes with an aggregate purchase price of \$40,000,000 (the "Purchase Payment"). A portion of the Purchase Payment will be obtained from HGW Holding Company. SkyTerra LP and SkyTerra Communications, Inc. would not enter into the Satellite Agreement or make the Purchase Payment in the absence of this Agreement. HGW Holding Company would not make Purchase Prepayment funds available in the absence of this Agreement.

Negotiation of the Proposed Transaction and the associated due diligence have involved and will continue to require a significant allocation of SkyTerra resources.

In order to induce SkyTerra LP and SkyTerra Communications, Inc. to enter into the Satellite Agreement and in order to induce HGW Holding Company to make Purchase Payment funds available, the parties desire to enter into this Agreement.

Therefore, the parties agree as follows:

1. Negotiations. For the period from the date hereof through August 4, 2010 (or such later date as the parties may agree, the "Termination Date"), the Company will, and will cause the Company's direct and indirect subsidiaries (collectively, the "Controlled Subsidiaries") to diligently engage in good faith negotiations with respect to the Proposed Transaction.

2. Alternative Transactions.

(a) For the period from the date hereof through the Termination Date, the Company shall not, and the Company shall not permit any of its affiliates, or any of the representatives or employees of or advisors to the Company or any of its affiliates to, directly or indirectly, take any action to (i) encourage, entertain, solicit, facilitate or initiate the submission of any Alternative Transaction Proposal, (ii) enter into any written or oral agreement for or relating to a Third Party Transaction (as hereinafter defined), or (iii) participate in any way in discussions or negotiations with, or furnish any non-public information to, any person in connection with any Alternative Transaction Proposal. The Company shall be responsible for any breach of this Agreement by any of its affiliates or any of their respective representatives or advisors. The Company will immediately communicate to SkyTerra the receipt of any third party solicitation, proposal or inquiry that the Company, its affiliates or any of their respective representatives or advisors may receive in respect of any Third Party Transaction, or of any request for such information, including in each case the material terms of any such third party solicitation, proposal or *bona fide* inquiry.

(b) “Alternative Transaction Proposal” means any proposed Third Party Transaction. “Third Party Transaction” means an Alternative Transaction with a party other than SkyTerra or an affiliate of SkyTerra. “Alternative Transaction” means, except for any Proposed Transaction, any transaction that would grant any third party rights with respect to, or take or fail to take any other action with respect to, the S-band Spectrum (as defined in the Term Sheet) that would interfere with or obstruct the use of the S-band Spectrum by SkyTerra or otherwise make it unavailable for use by SkyTerra or limit the ability of the Company or SkyTerra to enter into the Proposed Transaction.

3. No Conflict. Each party represents and warrants to the other that the first party’ s entry into this Agreement does not violate any contract, order, judgment, law or regulation binding on it, or result in any material change in its right against or obligation to any third party.

4. Access. So long as negotiations are continuing, the Company will make records in its possession or control, and relevant personnel of the Company, its accountants and its advisors, available to SkyTerra and its officers, employees, affiliates, managers, partners, agents and advisors (including, without limitation, accountants, attorneys, consultants, financial advisors and bankers) as SkyTerra reasonably requests in connection with SkyTerra’ s due diligence, in accordance with the terms of that certain Confidentiality Agreement, dated December 22, 2009 (the “Confidentiality Agreement”), by and among the Company, Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P.

5. Confidentiality, Publicity. The existence and terms of this Agreement, the Term Sheet and of the discussions between the parties as to the Proposed Transaction are to remain confidential, except as disclosure of its contents is required by applicable law, regulatory authority or stock exchange listing agreement; provided, however, the Term Sheet shall not be disclosed to the public in any event. In the event a party hereto or any of its representatives is required by applicable law, regulatory authority or stock exchange listing agreement to disclose any of such information, such party will (a) promptly notify the other party prior to any such disclosure, (b) reasonably accept the other party’ s revisions to the proposed disclosure and (c) cooperate with the other party in any attempt it may make to obtain a protective order or other appropriate assurance that confidential treatment will be afforded the applicable information. Each party agrees that it will treat the existence and terms of this Agreement and of such discussions with the same care as

it would take to preserve the confidentiality of its own confidential information. Prior to the execution of definitive agreements among the parties regarding the Proposed Transaction, neither party will make any announcement to the public, to third parties, or to its respective employees concerning the Proposed Transaction without prior consultation with, and the approval of, the other party, which may be withheld in its discretion. This Section 5 will not preclude any of the parties hereto from complying with legal or regulatory requirements applicable to it. If any party believes that it is subject to such a requirement, it will give the other parties prompt prior notice thereof prior to disclosing the information in question. The provisions of this Section 5 are in addition to, and not in lieu of, the provisions of the Confidentiality Agreement, or any other confidentiality agreement among the parties.

6. Fees and Expenses. Each Party to this Agreement will pay all of its own expenses incurred in connection with the Proposed Transaction, whether or not the Proposed Transaction is entered into or consummated.

7. General.

(a) **Binding and Non-Binding Provisions.** Except for the express obligations set forth in this Agreement, which are intended to be legally binding, this Agreement does not create any legally binding obligation with respect to the Proposed Transaction itself or as to anything preliminary thereto. No term sheet or other document, or any act or course of dealing, other than a writing signed by both parties that expressly states that it is intended to be legally binding, shall create any legally binding obligations. This Section 7(a) sets forth the complete understanding of the parties as to the legal status of this Agreement and any such other document, act or course of dealing.

(b) **Modifications.** This Agreement may not be modified, supplemented or waived except by an instrument in writing expressly to that effect signed by the party against whom such modification, supplement or waiver is asserted. Any such waiver will apply only to the specific instance set forth in such writing.

(c) **Assignment.** All rights and obligations of SkyTerra under this Agreement may be freely assigned or otherwise transferred by SkyTerra to any affiliate(s) of SkyTerra. This Agreement may not be assigned or otherwise transferred by the Company.

(d) **Applicable Law.** This Agreement shall be exclusively governed by and construed in accordance with the internal laws of the State of New York without regard to its rules of conflicts of laws.

(e) **Equitable Relief.** The parties agree that monetary damages would not be a sufficient remedy for any breach of this Agreement by the Company and that SkyTerra shall be entitled to equitable relief, including injunction and specific performance, as a remedy for such breaches. Such remedy shall not be deemed to be the exclusive remedy for a breach by the Company of this Agreement but shall be in addition to all other remedies available at law or equity to SkyTerra.

(f) **Descriptive Headings; Construction.** The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning or

interpretation of this Agreement. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

(g) **Counterparts.** This Agreement and any amendments hereto may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one agreement.

(h) **Termination.** This Agreement shall terminate on the Termination Date, provided, however that Sections 5 - 7 shall survive the termination of this Agreement and continue in full force and effect according to their terms. SkyTerra may, in its sole discretion, accelerate the Termination Date to an earlier date.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Exclusivity Agreement.

SKYTERRA LP

By: SkyTerra GP, Inc., its general partner

By: _____

Name: Peter A. Jenson

Title: President

HGW HOLDING COMPANY, L.P.

By: HGW GP, Ltd., its general partner

By: _____

Name: Peter A. Jenson

Title: Vice President

SKYTERRA COMMUNICATIONS, INC.

By: _____

Name: Elizabeth Creary

Title: Assistant Secretary

[Signature Page to Exclusivity Agreement]

TERRESTAR CORPORATION

By:

Name:

Jeffrey Epstein

Title:

President & CEO

TERRESTAR NETWORKS INC.

By:

Name:

Jeffrey Epstein

Title:

President & CEO

[Signature Page to Exclusivity Agreement]

SUMMARY OF PRINCIPAL TERMS OF SPECTRUM POOLING AGREEMENT

*The following is a summary of the principal terms and conditions relating to the proposed transactions described herein (the “**Summary**”) and is intended for discussion purposes only. The following Summary does not constitute an offer capable of acceptance. Under no circumstances shall the terms and conditions set forth in this Summary constitute or be deemed to constitute the legally binding obligation of SkyTerra LP or any of its affiliates, to negotiate or to consummate any transaction.*

- Parties** **TerreStar:** TerreStar Corporation (“TerreStar”).
- Networks:** TerreStar Networks Inc. or such affiliate of TerreStar that is the licensee of the S-band Spectrum (“Networks”).
- SkyTerra:** SkyTerra LP and / or one or more affiliated entities as determined in its sole discretion (“SkyTerra”). Although affiliates of SkyTerra will have the right to be involved in such discussion and negotiation and subject to SkyTerra’s rights to assign rights pursuant to the Exclusivity Agreement to which this Summary is attached, SkyTerra LP will be the SkyTerra entity primarily engaged in the discussion and negotiation of the matters described herein.
- Spectrum** The portion of the S-band spectrum that Networks is authorized by the FCC to use to serve the United States via satellite and ancillary terrestrial component (“ATC”) facilities (the “S-band Spectrum”).
- Spectrum Pooling Agreement** SkyTerra would seek to implement the terms, among others, described herein pursuant to a “Spectrum Pooling Agreement.”
- [***]

FCC License & Compliance Matters

Networks currently holds FCC licenses and authorizations to use the S-band Spectrum in the United States (the “FCC License”). Networks has applied to the FCC, and may apply again in the future, for additional licenses and authorizations to use the S-band Spectrum in the United States. Once issued, these additional licenses and authorizations would be deemed part of the FCC License.

[***]

Satellite Capacity

In order to ensure that [***]

Satellite Use of S-band Spectrum

Subject to [***]

[***]

Spectrum Pooling Agreement Representations and Warranties

The Spectrum Pooling Agreement would contain customary terms, conditions, representations, warranties and covenants for a transaction of this nature including, but not limited to, representations as to the usability of the S-Band Spectrum and required ATC authorization.

Assignment of Spectrum Pooling Agreement

All rights and obligations of [***]

Access to SkyTerra Information	After execution of the Spectrum Pooling Agreement [***]
Conditions Precedent	Among other items, [***]
Consequence of [***]	In the event [***]
Regulatory Matters	Consummation of the Spectrum Pooling Agreement and any transactions contemplated thereby (including any potential purchase of the S-band Spectrum by SkyTerra), would be subject to obtaining all necessary regulatory approvals. [***]
Fees and Expenses	[***]
Confidentiality	This Summary constitutes Confidential Information (as such term is defined in the Confidentiality and Nondisclosure Agreement (the " <u>Confidentiality Agreement</u> "), effective as of December 22, 2009, by and among TerreStar, Harbinger Capital Partners Master Fund I, Ltd., and Harbinger Capital Partners Special Situations Fund, L.P.), and shall be treated as such by TerreStar pursuant to the terms of the Confidentiality Agreement.

SATELLITE MINUTES AGREEMENT

THIS SATELLITE MINUTES AGREEMENT (the "Agreement") is entered into as of May 6, 2010 ("Effective Date"), between TerreStar Networks Inc., a Delaware corporation ("TerreStar"), SkyTerra Communications, Inc., a Delaware corporation ("SkyTerra Communications") and SkyTerra, LP, a Delaware limited partnership ("SkyTerra LP" and together with SkyTerra Communications, "SkyTerra").

TerreStar has an in-orbit satellite known as TerreStar-1 (together with any Replacement Satellite System or back-up satellite, the "Satellite") from which TerreStar provides mobile satellite services and capacity;

Each of SkyTerra Communications and SkyTerra LP desire to purchase from TerreStar, and TerreStar desires to sell and provide to each of SkyTerra Communications and SkyTerra LP, the Satellite Minutes and the accompanying the right to certain Satellite Capacity in order to use the Satellite Minutes;

THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions. For purposes of this Agreement:

(a) "ATC" means ancillary terrestrial component as that term is defined and used by the FCC.

(b) "Business Day" means a day, other than a Saturday or Sunday, on which the principal commercial banks located in the State of New York are open for business during normal banking hours.

(c) "Capacity Failure" means the failure of TerreStar to make available to SkyTerra the Minimum Available Satellite Capacity (and, if applicable all services required for use of the ATC network) for use of the Satellite Minutes in accordance with the terms and conditions of this Agreement and the SLA for more than [***], in either case excluding planned outages for scheduled maintenance as set forth in the SLA.

(d) "Demarcation Point" means TerreStar' s point-of-presence where the Satellite network interconnects with the United States public switched network, or, with respect to any traffic that will not be interconnected to the United States public switched network, at such other applicable and appropriate point of presence for connection to the internet or other data connection point.

(e) "End Users" mean individuals or entities using the Satellite Minutes.

(f) “Exclusivity Agreement” means that certain letter agreement between TerreStar, the TerreStar Parent, SkyTerra and HGW Holding Company, L.P., dated as of the date hereof.

(g) “FCC” means the United States Federal Communications Commission.

(h) “Other Telecommunications Provider(s)” means carriers or other providers of telecommunications services for the completion of communications to facilities beyond the Demarcation Point.

(i) “Other Telecommunications Service(s)” means the services and facilities provided by Other Telecommunications Providers for the origination and termination of communications made to or from end users of the Satellite Minutes.

(j) “Pooling Agreement” means the Pooling Agreement between SkyTerra and TerreStar with respect to the pooling of certain spectrum assets held by each of SkyTerra and TerreStar that is to be negotiated between the parties in accordance with the terms and conditions set forth in the Exclusivity Agreement.

(k) “Replacement Satellite System” means any mobile satellite system that will be located in the Satellite’s orbital position and operated by TerreStar and that is intended to be a replacement to the Satellite.

(l) “Satellite Capacity” means the space segment capacity from beams of the Satellite and includes all necessary and appropriate ground segment capacity and services required for the operation of the Satellite and the provision and use of such capacity as contemplated herein.

(m) “Satellite Minutes” means minutes of voice or data transmission available for use on the Satellite, or the ATC network if applicable, purchased by SkyTerra Communications or SkyTerra LP in accordance with this Agreement.

(n) “SLA” means a service level agreement to be negotiated in good faith between SkyTerra and TerreStar after the date hereof and which shall be executed on or before the Fourth Closing Date, which shall set forth agreed service and other terms, including without limitation (i) technical specifications regarding the Satellite Capacity, the Satellite and use of the Satellite Minutes, (ii) standards of availability, efforts and time limits for responding to failures of facilities, (iii) consequences with respect to the failure to provide the Satellite Minutes and the services required in order to use such Satellite Minutes, (iv) handset and other hardware feature development and specifications; provided that the terms of (i)-(iii) above shall be consistent with industry standards for the satellite services contemplated therein.

(o) “TerreStar Commercial Launch Date” means the date on which TerreStar (i) has completed all hardware and software components and technical/support services, necessary to launch its commercial service via the Satellite, and (ii) has related chipsets, modules and other related devices available in commercial quantities for use via the Satellite.

2. Purchase of Satellite Minutes.

(a) Subject to and upon the terms and conditions set forth in this Agreement, TerreStar hereby agrees to sell to SkyTerra, and SkyTerra hereby agrees to purchase from TerreStar, an aggregate of \$40,000,000 (the "Purchase Price") of Satellite Minutes, as follows:

(i) On May 6, 2010 (the "First Closing Date"), SkyTerra Communications shall purchase from TerreStar \$5,000,000 of Satellite Minutes, and SkyTerra LP shall purchase from TerreStar \$5,000,000 of Satellite Minutes;

(ii) On May 20, 2010 (the "Second Closing Date"), SkyTerra Communications shall purchase from TerreStar \$10,000,000 of Satellite Minutes;

(iii) On June 3, 2010 (the "Third Closing Date"), SkyTerra Communications shall purchase from TerreStar \$10,000,000 of Satellite Minutes; and

(iv) On June 17, 2010 (the "Fourth Closing Date", and together with the First Closing Date, the Second Closing Date and the Third Closing Date, each a "Closing Date"), SkyTerra Communications shall purchase from TerreStar \$10,000,000 of Satellite Minutes.

(b) The price-per-Satellite Minute shall be calculated as follows, subject to adjustment pursuant to Section 3:

Voice Usage: \$[***] per minute, billed in 6 second increments.

Data Usage: \$[***] per megabyte billed in kilobytes increments (including SMS sent or received over the Satellite).

For purposes of calculating the number of aggregate Satellite Minutes purchased by SkyTerra on each Closing Date, each megabyte of data usage shall equal the number of Satellite Minutes equal to the quotient obtained by dividing (x) the cost of Data-Per-Megabyte by (y) Cost of Voice-Per-Minute, which shall initially be 34.4 Satellite Minutes, subject to adjustment in accordance with Section 3.

A Satellite Minute for mobile satellite calls (including data communications) shall begin upon connection to the Demarcation Point and shall end when such mobile satellite call is transferred to Other Telecommunications Services by Other Telecommunications Providers.

Pricing applies to mobile satellite calls (including data communications) where the call is made or received on a mobile satellite terminal. Calls both made and received on such terminals shall be subject to charges for both the making and receiving of calls.

(c) The purchase by SkyTerra Communications and/or SkyTerra LP of Satellite Minutes on each Closing Date is subject, in each case, to the satisfaction, or waiver by SkyTerra, of all of the following conditions:

(i) The Satellite and the associated network operations shall be fully functioning and operational in accordance with this Agreement and general industry standards.

(ii) Neither TerreStar nor its parent, TerreStar Corporation (the “TerreStar Parent”) shall have been or have instituted proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against TerreStar or the TerreStar Parent or file a petition seeking, or consent to, reorganization or relief with respect to TerreStar or the TerreStar Parent under any applicable federal or state law relating to bankruptcy, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of TerreStar or the TerreStar Parent or a substantial part of its property, or make any assignment for the benefit of creditors of TerreStar or the TerreStar Parent, or admit in writing TerreStar or the TerreStar Parent’s inability to pay its debts generally as they become due, or, to the fullest extent permitted by law, take action in furtherance of the dissolution or liquidation of TerreStar or the TerreStar Parent.

(iii) Neither TerreStar nor the TerreStar Parent shall (x) have terminated the Exclusivity Agreement prior to the Termination Date (as defined in the Exclusivity Agreement) or (y) be in breach of any material provision of the Exclusivity Agreement.

(iv) The pricing, terms and conditions set forth in this Agreement shall contain the most favorable pricing, terms and conditions with respect to the Satellite Minutes, individually and in the aggregate, offered by TerreStar or any commonly controlled entity to any third party in accordance with Section 3 hereof.

(v) The SLA shall have been executed on or before the Fourth Closing Date.

(d) To the extent that the Satellite Minutes are not all used by SkyTerra, or by any third-party to whom the Satellite Minutes have been transferred (such minutes, the “Unused Satellite Minutes”), (i) SkyTerra may, in its discretion, credit all or part of the portion of the Purchase Price attributed to the Unused Satellite Minutes to outstanding payments, if any, then due from SkyTerra to TerreStar pursuant to the Pooling Agreement, and (ii) if there are no outstanding payments due from SkyTerra to TerreStar pursuant to the Pooling Agreement, or if SkyTerra chooses not to credit all or any portion of the Purchase Price attributed to the Unused Satellite Minutes to any such payments, then such Unused Satellite Minutes shall expire.

(e) SkyTerra may, at any time in its sole discretion, use all or part of the portion of the Purchase Price attributed to the Unused Satellite Minutes to purchase any other satellite or

terrestrial services that TerreStar or any entity controlled by it may provide using the Satellite or the frequencies employed thereby (any such services, the “Other Services”). The pricing, terms and conditions of the Other Services shall be negotiated in good faith by the parties, and shall include MFN terms substantially similar to those set forth in Section 3 hereof.

3. MFN Pricing, Terms and Conditions.

(a) In connection with (i) the pricing calculations set forth in Section 2(b), and (ii) each of the terms and conditions regarding the use of the Satellite Minutes, in each case as set forth in this Agreement, the SLA or any other documentation between the parties existing now or in the future, TerreStar agrees that SkyTerra shall be entitled to the most favorable pricing, terms and conditions, both individually and in the aggregate, including without limitation that SkyTerra shall be entitled to pricing, terms and conditions no less favorable than the pricing paid by, or the terms and conditions provided to, third parties purchasing satellite minutes or other Satellite or terrestrial capacity or usage from TerreStar or any of its affiliates regardless of the form that such capacity, usage or other services are purchased, and regardless of whether or not such purchase is in the form of prepaid minutes, capacity or usage or otherwise; provided, that the provisions of this Section 3 shall not apply in respect of the purchase by any third party of satellite minutes or other Satellite or terrestrial capacity or use from TerreStar or any of its affiliates in prepaid committed quantities greater than the Satellite Minutes as purchased by SkyTerra hereunder.

(b) TerreStar agrees to notify SkyTerra in writing within five Business Days of TerreStar or any of its affiliates granting any customer of TerreStar or any its affiliates pricing, terms or conditions that are, individually or in the aggregate, more favorable to such customer than the pricing, terms and/or conditions set forth herein or in the SLA; provided that such notice shall not include the actual pricing, terms or conditions that have been agreed to with such other customer. Upon receipt of such notice, SkyTerra may, upon written notice to TerreStar request a review of the prices, terms and conditions available to other customers of TerreStar or any of its affiliates with respect to Satellite Minutes (and, if applicable, any Other Services) (a “Review”). Each such Review shall be conducted by an independent accounting or investment banking firm chosen by SkyTerra and approved by TerreStar, which approval shall not be unreasonably withheld (the “Independent Reviewer”), who shall (i) render its opinion as to TerreStar’s compliance with this Section 3, but who shall not disclose any of the information provided to it under the Review to SkyTerra or any other party or otherwise use such information other than as permitted herein, and (ii) in accordance with Section 3(a), determine the terms, if any, of the resulting pricing adjustment and/or modification of terms (a “Price/Terms Amendment”). The fees and expenses of the Independent Reviewer shall be divided equally between SkyTerra and TerreStar, provided that in the event a Review results in Price/Terms Amendment, TerreStar shall reimburse SkyTerra for any expenses of the Independent Reviewer paid by SkyTerra. Any Price/Terms Amendment shall be applied to the period that such lower pricing and/or better terms or conditions for such other customer has been in effect and, unless otherwise agreed by both parties, shall be effective for such period as such lower pricing and/or better terms or conditions to such other customer is in effect.

(c) On each anniversary of the date hereof, during the term of this Agreement, TerreStar agrees to provide SkyTerra with a certificate, signed by an executive officer of TerreStar, certifying compliance with this Section 3.

4. Use of Satellite Minutes.

(a) SkyTerra shall have sole and absolute discretion and control over the use of the Satellite Minutes. Without limiting the foregoing, (i) SkyTerra Communications may transfer or assign any Satellite Minutes purchased by it to SkyTerra LP, and SkyTerra LP may transfer or assign any Satellite Minutes purchased by it to SkyTerra Communications, and (ii) SkyTerra may (x) sell or otherwise transfer, re-sell, or combine with other services all or a portion of the Satellite Minutes to any third-party and/or in connection with any third party offering, including to any third-party retail partners of HGW Holding Company, L.P. or its affiliates, on terms and conditions (including pricing) determined by SkyTerra in its sole discretion, (y) use the Satellite Minutes to provide backup service for satellite capacity otherwise provided by SkyTerra or its affiliates to third parties, and (z) use the Satellite Minutes for voice or data calls or for any other usage permitted by the FCC.

(b) SkyTerra may, at any time within the one year period after the TerreStar Commercial Launch Date, provide written notice to TerreStar that it desires to begin using the Satellite Minutes as of a certain date (such date, the "Usage Start Date"); provided, that if SkyTerra does not provide such written notice, the Usage Start Date shall be the date that is one year after the TerreStar Commercial Launch Date. SkyTerra, or any party to whom any Satellite Minutes have been transferred, shall have five (5) years after the Usage Start Date, which shall be automatically extended for an additional five (5) years in the event there are any Unused Satellite Minutes remaining at the end of the initial five (5) year period (the "Usage Term") to use the Satellite Minutes. TerreStar shall allocate to SkyTerra an amount of the Satellite Capacity at all times during the Usage Term sufficient for the Satellite Minutes to be used (the "Minimum Available Satellite Capacity"). TerreStar shall use commercially reasonable best efforts to provide use of the Satellite substantially in accordance with the SLA, including preventative and remedial service to keep its network in, or to restore it to, good working order.

(c) TerreStar agrees that it will, in good faith using all commercially reasonable efforts, cooperate with and assist SkyTerra in obtaining and maintaining any FCC or other regulatory approvals so as to allow SkyTerra, or any third party to whom the Satellite Minutes are transferred, to use the Satellite Minutes in accordance with the terms of this Agreement.

(d) If and at such time there is a firm plan in place to create a Replacement Satellite System, TerreStar shall notify SkyTerra and the parties shall negotiate in good faith to enter into a new satellite usage agreement for such Replacement Satellite System at such pricing that shall take into account both the fair market value of the capacity to be provided and the costs of such system and upon such other terms and conditions as the parties shall negotiate in good faith. If the parties are unable to reach agreement in a timely manner, as each party shall reasonably assess in light of its own circumstances, either party may, following notice to the other party of its intention to do so, discontinue such negotiations.

(e) In the event that any ATC capacity becomes available to TerreStar at any time during the Usage Term, TerreStar shall use best efforts to make a portion of its ATC network available such that the Satellite Minutes may, in the sole discretion of SkyTerra, be used by SkyTerra, or any party to whom any Satellite Minutes have been transferred, on such ATC network on terms and conditions agreed by the parties at such time, provided that SkyTerra shall not be required to pay any additional amounts to use the Satellite Minutes on such ATC network.

(f) The parties acknowledge and agree that additional terms and conditions governing the use of the Satellite Minutes, whether via the Satellite or through ATC network services, if applicable, may be incorporated into the final Pooling Agreement, and the parties agree to negotiate mutually acceptable modifications to this Agreement and/or the SLA if necessary in connection with the finalization of the Pooling Agreement.

5. Division of Wholesale and Retail Responsibilities.

(a) SkyTerra acknowledges and agrees that by purchasing Satellite Minutes on a wholesale basis, SkyTerra (or its affiliates, resellers or agents) shall be responsible for any retail service and retail service integration functions. Without limitation, SkyTerra shall be responsible for:

- (i) End User registration and the provision to TerreStar of information necessary to authenticate and/or authorize End Users and their eligibility for service in such manner and form as TerreStar shall specify in accordance with general industry standards;
- (ii) the collection and billing of End User accounts;
- (iii) providing End User customer service and first tier troubleshooting for all End Users, employing SkyTerra (or its affiliates, resellers or agents) trained and qualified personnel; and
- (iv) the provision and maintenance of all hardware and software associated with SkyTerra's (or its affiliates, resellers or agents) network and the provision and maintenance of all products and services offered to End Users.

(b) TerreStar shall be responsible for the maintenance of its own network used to provide Satellite Capacity in accordance with the SLA. For greater certainty, the services provided by TerreStar under this Agreement for the pricing defined in Section 2(b) are described in Schedule A. TerreStar shall also provide SkyTerra with sales and training materials and other reasonable support for SkyTerra's help desk functions and second tier troubleshooting for matters raised with TerreStar by SkyTerra's help desk personnel involving problems with TerreStar's network that cannot reasonably be addressed at the SkyTerra help desk level. Such assistance shall include, without limitation, telephone consultation and diagnostic services. TerreStar shall not be obligated to interface directly with End Users, nor shall SkyTerra provide its End Users with any information to access support directly from TerreStar.

6. Term and Termination.

(a) Unless earlier terminated in accordance with the provisions set forth below, the “Term” of this Agreement shall commence upon the date hereof and end upon the earlier of (i) the date that the Satellite is taken out of commercial service, (ii) the date that is 30 days following an uncured Capacity Failure, or (iii) the end of the Usage Term.

(b) Notwithstanding anything to the contrary contained herein, if a party (the “breaching party”) commits a material breach of its obligations under this Agreement the other party may provide to the breaching party written notice of termination of this Agreement, which includes a description of the nature of the breach. If the breaching party does not cure the breach within thirty (30) days following the date of such notice, the non-breaching party may terminate this Agreement at the end of the notice period upon written notice to the breaching party.

(c) In the event of a termination of this Agreement pursuant to Sections 6(a)(i) or (ii), or 6(b) above, TerreStar shall promptly refund to SkyTerra an amount in cash equal to the portion of the Purchase Price, if any, attributed to any Unused Satellite Minutes.

7. Legal Compliance.

Notwithstanding any provision hereof, each party shall, at its expense and provided it is not otherwise prohibited from doing so because of the acts or omissions of third parties, promptly comply with and conform to the requirements of every applicable statute, law, by-law, regulation, ordinance and order at any time or from time to time in force during the Term affecting the Satellite, the Satellite Minutes and the usage thereof.

8. Indemnification.

(a) Subject to the limitations of liability stated herein, each party (the “Indemnifying Party”) shall defend, indemnify, and hold the other party (the “Indemnified Party”) harmless from and against any and all liabilities, losses, damages and costs, including reasonable legal fees and expenses, resulting from, arising out of, or in any way connected with (i) any breach by the Indemnifying Party of any warranty, representation, covenant, agreement, or obligation contained herein, (ii) the performance of an Indemnifying Party’ s duties and obligations hereunder; (iii) the violation by Indemnifying Party of any federal, state or local law, rule or regulation; and (iv) personal injury or damage to physical property caused by such party’ s negligence or willful misconduct.

(b) Each party’ s indemnification obligations are contingent upon the Indemnified Party (i) providing prompt written notice of the claim to the Indemnifying Party (provided that failure to provide such notice shall not excuse the Indemnifying Party except to the extent that it is materially prejudiced thereby), and (ii) providing the Indemnifying Party with reasonable

cooperation and assistance, at the Indemnifying Party's expense, in connection with the claim. The Indemnifying Party shall have sole control of the defense of any such claim. Notwithstanding the preceding sentence, if the Indemnifying Party fails to defend the claim after reasonable notice of such claim, the Indemnified Party may defend the claim itself, and in such case the Indemnifying Party shall reimburse the Indemnified Party for any additional costs incurred to defend, settle or compromise the claim. No settlement or compromise that imposes any liability or obligation on the Indemnified Party (or any other person covered by the applicable indemnification clause) will be made without the Indemnified Party's prior written consent (such consent not to be unreasonably withheld).

9. Confidential Information. The Parties acknowledge that the contents of this Agreement, the Exclusivity Agreement and the Pooling Agreement and all negotiations relating hereto and thereto (including but not limited to the pricing information contained in Section 2(b)), are Confidential Information as defined in the Confidentiality Agreement dated December 22, 2009 between TerreStar Communications, Inc., Harbinger Capital Partners Master Fund I, Ltd. and Harbinger Capital Partners Special Situations Fund, L.P. (the "NDA") and, as such are subject to and shall be disclosed solely in accordance with the NDA, provided that notwithstanding anything in the NDA to the contrary, SkyTerra may also disclose the existence and terms of this Agreement to actual or potential retail partners or other customers and to actual or potential investors in HGW Holding Company, L.P., SkyTerra or any of their respective affiliates, provided that such party is bound by a confidentiality or non-disclosure agreement in respect of the existence of, and information disclosed in, this Agreement which contains reasonable and customary confidentiality restrictions.

10. Limitation of Liability. Notwithstanding anything to the contrary in this Agreement, except in the case of a party's wilful misconduct or intentional breach, neither party nor any of their agents or subcontractors, nor any officer or director of any such entity will be liable to the other party for any indirect, incidental, special, punitive or consequential damages, including but not limited to, loss of profits, revenue or cost of capital, or claims of contractors, suppliers or customers, whether foreseeable or not, arising out of any breach of this Agreement or any related agency or subcontractor agreement or any other tort or other theory of liability that may arise in connection with this Agreement or any related agency or subcontractor agreement. Nothing herein shall be deemed to preclude either party from seeking injunctive relief to compel performance in accordance with this Agreement by the other party in the case of any wilful or intentional breach, or gross negligence, by the other party.

11. Notices.

All notices, demands, offers, elections, requests or other communications required or permitted by this Agreement shall be in writing and shall be sent by prepaid registered or certified mail, return receipt requested, or by other recognized and recorded means of communication and addressed to the parties at the addresses set forth below or to such other address as shall, from time to time, be supplied by any party to the other party by like notice, and shall be deemed given upon receipt. All such notices shall be addressed to persons listed below:

If to TerreStar:

TerreStar Networks Inc.
12010 Sunset Hills Road
Reston, VA 20190
Attention: General Counsel
Facsimile: 703-483-7971

If to SkyTerra:

SKyTerra Communications, Inc.
SkyTerra LP

c/o HGW Holding Company, L.P.
450 Park Avenue, 30th Floor
New York, New York 10022
Attention: General Counsel
Facsimile: (212) 898-9074

and

10802 Parkridge Boulevard
Reston, VA 20191
Attention: General Counsel
Fax: (703) 390-6113

12. Assignment. TerreStar may not assign all or any portion this Agreement without the other party' s prior written consent. Each of SkyTerra Communications and SkyTerra LP shall have the unrestricted right to assign this Agreement, or any of its rights under this Agreement, to any third party, including any affiliate of SkyTerra, or to any lender as collateral security in connection with any financing arrangement of SkyTerra. This Agreement shall be binding on the successors and permitted assigns of the parties hereto.

13. Expenses. Each party shall pay its own expenses incident to this Agreement, including all legal and accounting fees and disbursements.

14. Further Assurances. Each party shall execute and deliver such further certificates, agreements and other documents and take such other actions as the other party may reasonably request to consummate or implement the transactions contemplated hereby or to evidence such events or matters

15. Entire Agreement. This Agreement (including the exhibits, annexes and schedules thereto), the Exclusivity Agreement, the Pooling Agreement once finalized, and the Confidentiality Agreement, constitute the entire agreement among the parties with respect to the matters covered hereby and supersede all previous written, oral or implied understandings among them with respect to such matters. If any provision of any agreement, arrangement or other written document between or relating to SkyTerra and TerreStar conflicts with any provision of this Agreement, the provision of this Agreement shall control and prevail.

16. Jurisdiction and Venue. Except as otherwise required by applicable law, any controversy, dispute, disagreement or claim arising under or in connection with this Agreement that the parties are unable to resolve among themselves (including, without limitation, the negotiation and execution of the SLA by the Fourth Closing Date, and any adjustments to the pricing, terms or conditions hereof pursuant to Section 3) shall be resolved by a binding arbitration, to be held in Manhattan Borough of the City of New York in the State of New York, U.S.A. pursuant to the Federal Arbitration Act and in accordance with the

then-prevailing International Arbitration Rules of the American Arbitration Association (the “AAA”). Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. There will be one (1) arbitrator who shall be a satellite industry expert. The parties shall seek to mutually agree upon and select said arbitrator. If the parties are unable or fail to agree upon such an arbitrator within twenty (20) days after the matter was referred to arbitration, the arbitrator shall be selected by the AAA. Each party shall bear its own expenses incurred in connection with arbitration and the fees and expenses of the arbitrator shall be shared equally by the parties involved in the dispute and advanced by them from time to time as required. The arbitrator shall render its final award within sixty (60) days, subject to extension by the arbitrator upon substantial justification shown of extraordinary circumstances, following conclusion of the hearing and any required post-hearing briefing or other proceedings ordered by the arbitrator. Any discovery in connection with arbitration hereunder shall be limited to information directly relevant to the controversy or claim in arbitration. The arbitrators will state the factual and legal basis for the award. The decision of the arbitrator in any such proceeding will be final and binding and not subject to judicial review and final judgment may be entered upon such an award in any court of competent jurisdiction, but entry of such judgment will not be required to make such award effective. Any action against any party hereto, including (i) any action for provisional or conservatory measures or action to enforce an arbitration award or any judgment entered by any court in respect of any thereof, and (ii) any controversy, dispute, disagreement, claim or action that is not resolved by binding arbitration, may be brought in any federal or state court of competent jurisdiction located within the Borough of Manhattan of the City, County and State of New York, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction of any federal or state court located in the Borough of Manhattan of the City, County and State of New York.

17. Governing Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, U.S.A. without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State of New York, U.S.A.

18. Waiver of Jury Trial. Each of the parties irrevocably waives any and all rights to trial by jury in any legal proceeding arising out of or related to this Agreement.

19. Severability. The invalidity of any portion hereof shall not affect the validity, force or effect of the remaining portions hereof. If it is ever held that any restriction hereunder is too broad to permit enforcement of such restriction to its fullest extent, such restriction shall be enforced to the maximum extent permitted by law.

20. Counterparts. This Agreement may be executed in counterparts for the convenience of the parties; each such counterpart of which shall be deemed an original and all of which together will constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic delivery shall be effective as delivery of a mutually executed counterpart to this Agreement.

[Remainder of page intentionally left blank. Next page is signature page.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first written above.

TERRESTAR NETWORKS INC.

SKYTERRA LP

By: SkyTerra GP, Inc., its general partner

Name: Jeffrey Epstein
Title: President & CEO

Name: Peter Jenson
Title: President

SKYTERRA COMMUNICATIONS, INC.

Name: Elizabeth Creary
Title: Assistant Secretary

[Signature page for the Satellite Minutes Agreement]

SCHEDULE A

SERVICES INCLUDED AT THE STATED PRICE

The provision of the Satellite Minutes and the corresponding Satellite Capacity hereunder at the prices stated herein shall include the provision by TerreStar or its contractors of the services listed below.

<u>Segment/Capability</u>	<u>Comments</u>
User Terminal Segment (UTS)	Not Applicable
ATC Radio Access Segment (RAN)	Not Applicable
Geosynchronous Satellite Segment (GSS)	US Spot Beams Only
Satellite Roaming	Includes services and functionality to create and manage spot beams
TT&C	
SBSS and SBAS	
Mobility Core Segment (MCS)	Subset of components required for roaming voice and data [***]
Roaming Call Routing	SAT to PSTN, PSTN to SAT, MT to MT
Application Server (Voice)	Only for Satellite based MT to MT calls
Transcoding	SAT to PSTN or PSTN to SAT
SGSN (POP)	
GGSN (POP)	
Interconnect Segment (INT)	
LIG	Remote Access by US Authorities
CALEA	Remote Access by US Authorities
PSTN Interface	Demark to US PSTN via Router
Internet Interface	Demark to US Internet via Router

VoIP Interface

Demark to USn VoIP provider via Router

Network Management Segment (NMS)

Global Resource Manager (GRM)

Tool and processes for network planning and optimization
NOC Telephone Access providing technical support to the roaming partner to address issues which are beyond the scope of the roaming partner (*i.e.*, network issues, network services, etc)

Tier 2 Technical Support

IT Segment (ITS)

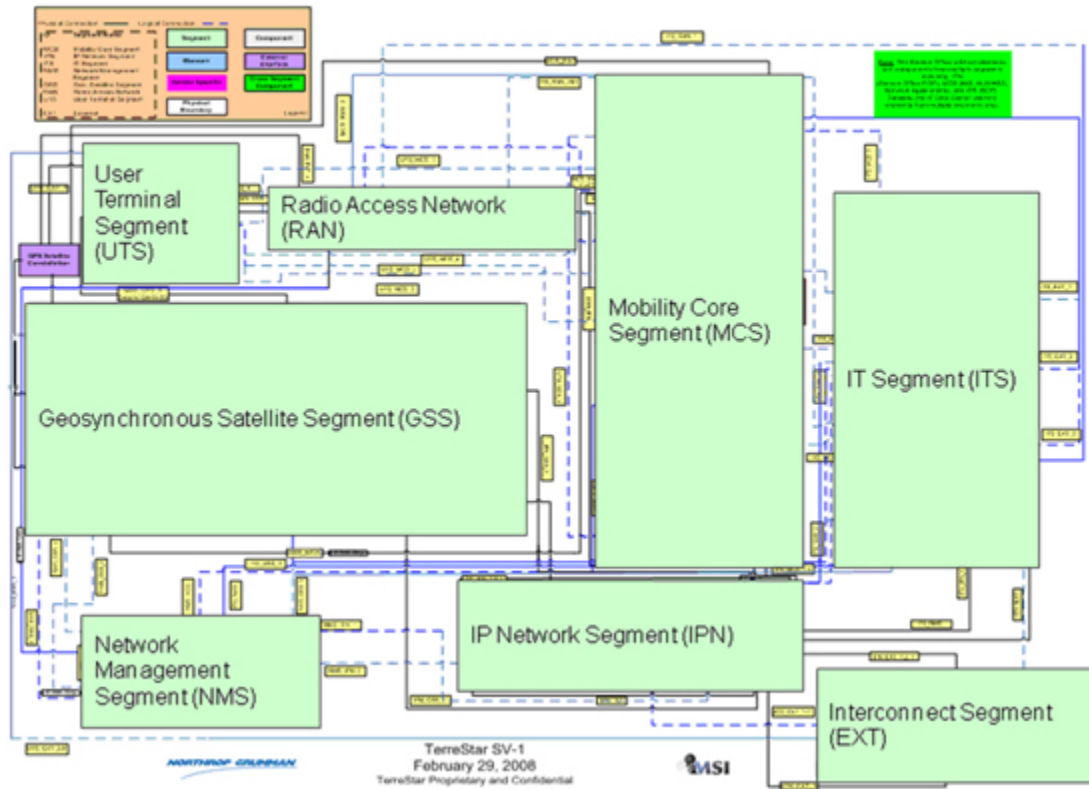
Usage Mediation

Processing of roaming partner usage records

TAP3 Roaming Records

Usage feed (daily via FTP)

TerreStar Network Architecture



Acronyms: As used above, the following acronyms have the following meanings:

CALEA - Communications Assistance for Law Enforcement Act

FTP - File Transfer Protocol

GGSN - Gateway GPRS Support Node

LIG - Lawful Intercept Gateway

MT - Mobile Terminal

MVNO - Mobile Virtual Network Operator

NOC - Network Operations Center

POP - Point of Presence

PSTN - Public Switched Telephone Network

SAT - Satellite

SBSS - Satellite Base Station Sub-system

SGSN - Serving GPRS Support Node

SIM - Subscriber Identity Module

SIP - Session Initiation Protocol

SMSC - Short Message Service Center

TT&C - Tracking, Telemetry and Control

**Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jeffrey W. Epstein, hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TerreStar Corporation, a Delaware corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JEFFREY W. EPSTEIN

Jeffrey W. Epstein
Chief Executive Officer
(Principal Executive Officer)
August 6, 2010

**Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Vincent Loiacono, hereby certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TerreStar Corporation, a Delaware corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ VINCENT LOIACONO

Vincent Loiacono
Chief Financial Officer
(Principal Financial Officer)
August 6, 2010

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

The undersigned officers of TerreStar Corporation, a Delaware corporation (the "Company"), do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2010, as filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JEFFREY W. EPSTEIN

Jeffrey W. Epstein
Chief Executive Officer
(Principal Executive Officer)
August 6, 2010

/s/ VINCENT LOIACONO

Vincent Loiacono
Chief Financial Officer
(Principal Financial Officer)
August 6, 2010

A signed original of this written statement required by Section 906 has been provided to TerreStar Corporation and will be retained by TerreStar Corporation and furnished to the Securities and Exchange Commission or its staff upon request.