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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): June 10, 2008

ECHOSTAR CORPORATION

(Exact name of registrant as specified in its charter)

NEVADA	**001-33807**	**26-1232727**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

90 INVERNESS CIRCLE E. ENGLEWOOD, COLORADO	**80112**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(303) 706-4000**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

As previously disclosed, on February 5, 2008, EchoStar Corporation (“EchoStar”) entered into a Spectrum Agreement (the “Spectrum Agreement”) with TerreStar Corporation, a Delaware corporation (the “TerreStar Parent”), and its majority owned subsidiary, TerreStar Networks Inc., which provided for the lease to TerreStar Parent of EchoStar’s holdings of 1.4 GHz spectrum along with an option for TerreStar Parent to acquire the company through which EchoStar holds these licenses in exchange for 30 million shares of TerreStar Parent’s common stock, par value $0.01 per share (the “Common Stock”). On June 10, 2008, TerreStar Parent completed the acquisition of the holding company under the Spectrum Agreement and issued 30 million shares of Common Stock to EchoStar. EchoStar currently has two representatives on TerreStar Parent’s board of directors.

The Spectrum Agreement was previously filed as Exhibit 10.4 to TerreStar Parent’s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 8, 2008 and is incorporated by reference into this Item 2.01.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The following financial statements of TerreStar Parent, which were provided to EchoStar by TerreStar Parent, are furnished as Exhibits 99.1 and 99.2 and are included herein:

Exhibit 99.1

Report of Friedman LLP, Independent Registered Public Accounting Firm for the years ended December 31, 2007 and 2006
Consolidated Statements of Operations for the years ended December 31, 2007, 2006 (as restated) and 2005
Consolidated Balance Sheets as of December 31, 2007 and 2006 (as restated)
Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 (as restated) and 2005
Consolidated Statements of Shareholders’ Equity for the years ended December 31, 2007, 2006 (as restated) and 2005
Notes to Consolidated Financial Statements (as restated)

Exhibit 99.2

Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2008 and 2007 (unaudited)
Condensed Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007 (unaudited)
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007 (unaudited)
Notes to Condensed Consolidated Financial Statements (unaudited)

(b) Pro Forma Financial Information.

The following unaudited pro forma condensed financial statements are furnished as Exhibit 99.3and are included herein:

Unaudited Pro Forma Condensed Combined Statement of Operations for the fiscal year ended December 31, 2007
Unaudited Pro Forma Condensed Combined Statement of Operations for the six months ended June 30, 2008

(c) Exhibits.

Exhibit 23.1	Consent of Independent Registered Public Accounting Firm
Exhibit 99.1	Report of Friedman LLP, Independent Registered Public Accounting Firm for the years ended December 31, 2007 and 2006
	Consolidated Statements of Operations for the years ended December 31, 2007, 2006 (as restated) and 2005
	Consolidated Balance Sheets as of December 31, 2007 and 2006 (as restated)
	Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 (as restated) and 2005
	Consolidated Statements of Shareholders' Equity for the years ended December 31, 2007, 2006 (as restated) and 2005
	Notes to Consolidated Financial Statements (as restated)
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	Condensed Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007 (unaudited)
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2008 and 2007 (unaudited)
	Notes to Condensed Consolidated Financial Statements (unaudited)
Exhibit 99.3	Unaudited Pro Forma Condensed Combined Statement of Operations for the fiscal year ended December 31, 2007
	Unaudited Pro Forma Condensed Combined Statement of Operations for the six months ended June 30, 2008

SIGNATURES

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 hereunto duly authorized.

ECHOSTAR CORPORATION

Date: August 25, 2008

By: /s/ Bernard L. Han

Bernard L. Han

Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
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EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-148416) of EchoStar Corporation of our report dated March 31, 2008 relating to the consolidated financial statements of TerreStar Corporation and Subsidiaries, which appears in this Current Report on Form 8-K/A of EchoStar Corporation dated June 10, 2008.

/s/ Friedman LLP

East Hanover, New Jersey
August 25, 2008

EXHIBIT 99.1

TERRESTAR CORPORATION

Index to Consolidated Financial Statements and Financial Statement Schedule

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
TerreStar Corporation:

We have audited the accompanying consolidated balance sheets of TerreStar Corporation (formerly Motient Corporation) and subsidiaries, as of December 31, 2007 and 2006 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of TerreStar Corporation and subsidiaries as of December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U. S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 3 to the consolidated financial statements, TerreStar Corporation and subsidiaries has restated previously issued consolidated financial statements as of December 31, 2006 and for the year ended December 31, 2006.

As discussed in Notes 2 and 11 to the consolidated financial statements, TerreStar Corporation and subsidiaries changed its method of accounting for stock-based compensation during the year ended December 31, 2006 as a result of adopting Statement of Financial Accounting Standard No. 123(R), *Share Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of TerreStar Corporation and subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 31, 2008 expressed an adverse opinion on the effectiveness of internal control over financial reporting.

/s/ Friedman LLP

East Hanover, New Jersey
March 31, 2008

TERRESTAR CORPORATION
Consolidated Statements of Operations
For the Years Ended December 31, 2007, 2006 and 2005
(In thousands, except per share amounts)

	2007	2006 As restated - See Note 3	2005
Operating Expenses			
General and administrative (including expenses related to MSV, a related party, of $668, $313 and $1,309 and Hughes, a related party, of $1,137, $0 and $0 for the years ended December 31, 2007, 2006 and 2005, respectively)	$ 114,848	$ 84,253	$ 29,265
Research and development	43,067	10,549	2,456
Depreciation and amortization	18,222	6,796	3,480
Loss on impairment of intangibles	6,699	4,909	—
Gain on asset disposal	(123)	—	—
Total operating expenses	182,713	106,507	35,201
Operating loss from continuing operations	(182,713)	(106,507)	(35,201)
Interest expense	(45,098)	(2,608)	—
Other expense	(7,543)	—	—
Interest and other income	12,597	7,948	7,582
Equity in losses of MSV	(7,338)	(30,079)	(25,059)
Minority interests in losses of TerreStar Networks	23,262	20,655	3,263
Minority interests in losses of TerreStar Global	1,198	654	—
Gain on investments	—	11,260	—
Decrease in dividend liability	71,046	—	—
Other than temporary impairment-SkyTerra	(106,800)	—	—
Loss from continuing operations before income taxes	(241,389)	(98,677)	(49,415)
Income tax benefit (expense)	2,248	(4,535)	—
Net loss from continuing operations	(239,141)	(103,212)	(49,415)
Loss from discontinued operations	—	(30,422)	(89,866)
Net loss	(239,141)	(133,634)	(139,281)
Less:			
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	(23,232)	(23,627)	(16,717)
Accretion of issuance costs associated with Series A and Series B	(4,542)	(4,029)	(2,409)
Net loss available to Common Stockholders	$ (266,915)	$ (161,290)	$ (158,407)
Basic & Diluted Loss Per Share—Continuing Operations	$ (3.22)	$ (2.01)	$ (1.10)
Basic & Diluted Loss Per Share—Discontinued Operations	$ —	$ (0.47)	$ (1.45)
Basic & Diluted Loss Per Share	$ (3.22)	$ (2.48)	$ (2.55)
Basic & Diluted Weighted-Average Common Shares Outstanding	83,016	64,966	62,072

See accompanying Notes to Consolidated Financial Statements

TERRESTAR CORPORATION
Consolidated Balance Sheets
As of December 31, 2007 and 2006
(In thousands, except per share amounts)

	2007	2006 As restated - See Note 3
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 89,134	$ 171,665
Cash committed for satellite construction costs	2,814	24,486
Restricted cash for Series A and Series B Cumulative convertible preferred stock dividends	—	10,723
Restricted cash for Senior Secured Notes	—	13,087
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,447	4,255
Deferred issuance costs associated with Senior Secured Notes	—	5,708
Deferred issuance costs associated with TerreStar Notes	2,032	—
Assets held for sale	—	367
Other current assets	9,131	2,602
Total current assets	107,558	232,893
Restricted investments	2,648	6,255
Property and equipment, net (including amounts to Hughes, a related party, of $36,719 and $10,998 at December 31, 2007 and 2006, respectively)	571,151	259,169
Intangible assets, net	212,256	144,265
Investment in MSV	—	184,665
Investment in SkyTerra	103,733	—
Investment in SkyTerra—Restricted	221,575	254,490
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	5,958	10,692
Deferred issuance costs associated with TerreStar Notes	10,415	—
Deferred issuance costs associated with Senior Secured PIK Notes	1,112	—
Other non-current assets	6,817	—
Total assets	$ 1,243,223	$ 1,092,429
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses (including amounts due to MSV, a related party, of $131 and $127 and Hughes, a related party, of $3,660 and $0 at December 31, 2007 and 2006, respectively)	$ 42,720	$ 12,415
Accounts payable to Loral for satellite construction contract	503	9,073
Accrued income taxes payable	—	4,641
Obligations under capital leases	59	—
Deferred rent and other current liabilities	944	1,199
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	8,368	8,174
Senior Secured Notes and accrued interest, thereon	—	202,267
Current liabilities of discontinued operations	17	45
Total current liabilities	52,611	237,814
Obligations under capital leases	97	—
Deferred rent and other long-term liabilities	1,758	3,049
SkyTerra investment dividends payable	183,444	254,490
TerreStar Notes and accrued interest, thereon	567,955	—
Total liabilities	805,865	495,353
Commitments and Contingencies		
Minority interest in TerreStar Networks	12,141	68,617
Minority interest in TerreStar Global	—	1,633
Series A cumulative convertible preferred stock ($0.01 par value, 450,000 shares authorized and 90,000 shares issued and outstanding at December 31, 2007 and December 31, 2006)	90,000	90,000
Series B cumulative convertible preferred stock ($0.01 par value, 500,000 shares authorized and 318,500 shares issued and outstanding at December 31, 2007 and December 31, 2006	318,500	318,500
STOCKHOLDERS' EQUITY:		
Common stock; voting (par value $0.01; 200,000,000 shares authorized, 91,378,041 and 73,663,208 shares issued, 87,426,839 and 69,712,006 shares outstanding at December 31, 2007 and December 31, 2006, respectively)	914	737
Additional paid-in capital	806,195	631,973
Common stock purchase warrants	64,097	73,200
Less: 3,951,202 common shares held in treasury stock at December 31, 2007 and December 31, 2006	(73,877)	(73,877)
Accumulated other comprehensive income	10	—
Accumulated deficit	(780,622)	(513,707)
Total stockholders' equity	16,717	118,326
Total liabilities and stockholders' equity	$ 1,243,223	$ 1,092,429

See accompanying Notes to Consolidated Financial Statements

TERRESTAR CORPORATION
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2007, 2006 and 2005
(In thousands, except per share amounts)

	2007	2006 As restated - See Note 3	2005
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES:			
Net loss	$ (239,141)	$ (133,634)	$ (139,281)
Adjustments to reconcile net loss to net cash used in continuing operating activities:			
Loss from discontinued operations	—	30,422	89,866
Depreciation and amortization	18,222	6,796	3,480
Write off of financing fees	5,708	—	—
Equity in losses of MSV	7,338	30,079	25,059
Minority interests in losses of TerreStar Global	(1,198)	(654)	—
Minority interests in losses of TerreStar Networks	(23,262)	(20,655)	(3,263)
Loss on investments	—	(11,260)	—
Gain on asset disposal	(133)	—	—
Loss on capital lease disposal	10	—	—
Amortization of deferred financing costs	1,778	538	—
Non-cash 401(k) match	—	156	254
Stock-based compensation	25,111	35,756	11,937
Loss on impairment of intangibles	6,699	4,909	—
Restricted stock forfeited	(42)	—	—
Interest income	482	—	—
Other than temporary impairment-cost method investment	106,800	—	—
Decrease in dividend liability	(71,046)	—	—
Changes in assets and liabilities:			
Other current assets	(7,065)	(345)	(1,413)
Accounts payable and accrued expenses (including payments to MSV, a related party, of $536, $1,949, and $3,948 and Hughes, a related party, of $920, $0 and $0 for the years ended December 31, 2007, 2006 and 2005, respectively)	20,088	9,155	2,493
Other noncurrent assets	(6,000)	—	—
Accrued interest	38,035	2,267	—
Deferred rent and other liabilities	(1,546)	4,242	(4)
Net cash used in continuing operating activities	$ (119,162)	$ (42,228)	$ (10,872)
CASH FLOWS FROM CONTINUING INVESTING ACTIVITIES:			
Cash acquired in TerreStar Networks asset purchase	$ —	$ —	$ 6,165
(Purchase) Proceeds of restricted cash and investments	45,423	61,511	(110,116)
Proceeds from the sale of investments	—	46,951	—
Proceeds from TerreStar Global rights offering	—	672	—
Proceeds from assets held for sale	500	—	—
Accounts payable to Loral for satellite construction contract	(9,073)	(59,771)	—
Notes receivable—TerreStar Canada	(750)	—	—
Additions to intangible assets	(734)	—	—
Additions to property and equipment (including payments to Hughes, a related party, of $33,276, $10,998 and $3,820 for the years ended December 31, 2007, 2006, and 2005, respectively)	(281,538)	(175,808)	(7,804)
Net cash used in continuing investing activities	$ (246,172)	$ (126,445)	$ (111,755)
CASH FLOWS FROM CONTINUING FINANCING ACTIVITIES:			
Proceeds from issuance of Series A Cumulative Convertible Preferred Stock	$ —	$ —	$ 408,500
Issuance costs associated with Series A and Series B Cumulative Convertible Preferred Stock	—	—	(17,570)
Proceeds from issuance of Senior Secured Notes	—	200,000	—
Proceeds from issuance of TerreStar Notes	500,000	—	—
Proceeds from issuance of equity securities	6,708	18,246	3,525
Repayment of notes payable	—	—	(8,739)
Repayments of the Senior Secured Notes	(200,000)	—	—
Payments for capital lease obligations	(37)	—	—
Purchase of treasury stock	—	(6,791)	(67,086)
Dividends paid on Series A and B Cumulative Convertible Preferred Stock	(13,086)	(21,446)	(10,723)
Debt issuance costs and other charges	(14,421)	(6,245)	—
Net cash provided by continuing financing activities	$ 279,164	$ 183,764	$ 307,907
Net cash provided by (used in) continuing operations	$ (86,170)	$ 15,091	$ 185,280
Net cash used in discontinued operating activities	$ (28)	$ (18,435)	$ (21,335)
Net cash provided by discontinued investing activities	$ 3,667	$ (4,515)	$ (116)
Net cash provided by (used in) discontinued operations	3,639	(22,950)	(21,451)
Net increase (decrease) in cash and cash equivalents	(82,531)	(7,859)	163,829
CASH AND CASH EQUIVALENTS, beginning of period	171,665	179,524	15,695
CASH AND CASH EQUIVALENTS, end of period	$ 89,134	$ 171,665	$ 179,524

See accompanying Notes to Consolidated Financial Statements

TERRESTAR CORPORATION
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2007, 2006 and 2005
(In thousands, except per share amounts)

	Common Stock		Additional Paid-In Capital	Common Stock Purchase Warrants	Treasury Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Par Value			Shares	Amount			
BALANCE, December 31, 2004	51,544,596	$ 516	$ 399,635	$ 28,589	—	$ —	$ —	$ (194,009)	$ 234,731
Common Stock issued under the 401(k) Savings and Stock Purchase Plan	14,127	—	254	—	—	—	—	—	254
Sales of Common Stock, Net of Expenses	12,704,782	127	370,853	—	—	—	—	—	370,980
Common Stock issued for exercise of stock options	447,535	4	1,339	—	—	—	—	—	1,343
Issuance of Common Stock Warrants	—	—	(48,908)	61,071	—	—	—	—	12,163
Common Stock issued for exercise of common stock purchase warrants	1,717,678	17	17,160	(15,060)	—	—	—	—	2,117
Compensatory stock options issued to employees and consultants	—	—	7,754	—	—	—	—	—	7,754
Restricted Stock	177,786	2	4,690	—	—	—	—	—	4,692
Treasury Stock	—	—	—	—	(3,487,202)	(67,086)	—	—	(67,086)
Net loss	—	—	—	—	—	—	—	(139,281)	(139,281)
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	—	—	—	—	—	—	—	(16,717)	(16,717)
Accretion of issuance costs on Series A and Series B Cumulative Convertible Preferred Stock	—	—	—	—	—	—	—	(2,409)	(2,409)
BALANCE, December 31, 2005	66,606,504	666	752,777	74,600	(3,487,202)	(67,086)	—	(352,416)	408,541
Common Stock issued under the 401(k) Savings and Stock Purchase Plan	7,806	—	156	—	—	—	—	—	156
Sales of Common Stock, Net of Expenses	6,252,721	63	93,455	—	—	—	—	—	93,518
Common Stock issued for exercise of stock options	121,165	1	494	—	—	—	—	—	495
Common Stock issued for exercise of common stock purchase warrants	145,012	2	1,843	(1,400)	—	—	—	—	445
Exercise of TerreStar stock options	—	—	(1,715)	—	—	—	—	—	(1,715)
Stock option compensation expense	—	—	32,674	—	—	—	—	—	32,674
Restricted Stock issued	530,000	5	6,423	—	—	—	—	—	6,428
Treasury Stock acquired	—	—	—	—	(464,000)	(6,791)	—	—	(6,791)
Net loss	—	—	—	—	—	—	—	(133,635)	(133,635)
Distribution of TerreStar Global	—	—	356	—	—	—	—	—	356
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	—	—	—	—	—	—	—	(23,627)	(23,627)
Accretion of issuance costs on Series A and Series B Cumulative Convertible Preferred Stock	—	—	—	—	—	—	—	(4,029)	(4,029)
Dividend Liability	—	—	(254,490)	—	—	—	—	—	(254,490)
BALANCE, December 31, 2006, As restated—See Note 3	73,663,208	737	631,973	73,200	(3,951,202)	(73,877)	—	(513,707)	118,326
Common stock issued under the 401(k) savings and stock purchase plan	834	—	10	—	—	—	—	—	10
Exchange of Common Stock (See Note 10)	15,128,642	151	123,273	—	—	—	—	—	123,424
Common Stock issued for exercise of stock options	44,393	—	2,179	—	—	—	—	—	2,179
Common Stock issued for exercise of common stock purchase warrants	1,500,045	15	13,607	(9,103)	—	—	—	—	4,519
Stock option compensation expense		—	25,253	—	—	—	—	—	25,253
Restricted Stock forfeited	(20,000)	—	(42)	—	—	—	—	—	(42)
Net loss	—	—	—	—	—	—	—	(239,141)	(239,141)
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	1,060,919	11	9,942	—	—	—	—	(23,232)	(13,279)
Accretion of issuance costs on Series A and Series B Cumulative Convertible Preferred Stock	—	—	—	—	—	—	—	(4,542)	(4,542)
Translation Adjustments	—	—	—	—	—	—	10	—	10
BALANCE, December 31, 2007	91,378,041	$ 914	$ 806,195	$ 64,097	(3,951,202)	$ (73,877)	$ 10	$ (780,622)	$ 16,717

See accompanying Notes to Consolidated Financial Statements

Note 1. Organization and Description of Business

General

TerreStar Corporation was incorporated in 1988 under the laws of the State of Delaware. TerreStar Corporation is in the integrated satellite wireless communications business through its ownership of TerreStar Networks, its principal operating entity, and TerreStar Global. We changed our name from Motient Corporation to TerreStar Corporation in 2007.

Our primary business is TerreStar Networks, a Reston, Virginia based future provider of advanced mobile satellite services for the North American market. Previously, we operated a two-way terrestrial wireless data communications service. On September 14, 2006, we sold most of the assets and liabilities relating to that business. Our historical financial statements present this terrestrial wireless business as a discontinued operation. Pursuant to such presentation, our current period continuing operations are reflected as a single operating unit.

As of December 31, 2007, we had two wholly-owned subsidiaries, MVH Holdings Inc and Motient Holdings Inc, an 86% interest in TerreStar Networks and an 85% interest in TerreStar Global. Additionally, we held approximately 42% non-voting interest in SkyTerra Communications, Inc (“SkyTerra”), a mobile satellite communications company. As of December 31, 2007, SkyTerra owned approximately 11% of TerreStar Networks common stock.

Liquidity and Capital Resources

In assessing our liquidity, we monitor and analyze our cash on-hand, after-tax liquidation value of our investment securities, and our operating and capital expenditure commitments. Our principal liquidity needs are to meet our working capital requirements, operating expenses and capital expenditure obligations. Based on our current business plan, we believe that we have sufficient liquidity required to conduct operations through December 31, 2008 and into the first quarter of 2009. The Company will likely face a cash deficit in the first quarter of 2009 unless it obtains additional capital. The Company cannot guarantee that financing sources will be available or available on favorable terms.

Our principal sources of liquidity consist of our existing cash on hand, the cash proceeds of recently completed capital raising transactions, and our recently secured $100 million Credit Agreement. As of December 31, 2007, including restricted cash; we had $92 million of cash on hand. After giving effect to the net proceeds from the offering of the newly issued TerreStar Notes, Exchangeable Notes, and the Credit Agreement, which were completed on February 5, 2008; as well as the sale of SkyTerra common stock on February 6, 2008, we have approximately $459 million of liquidity resources available to fund operations.

Our principal short-term liquidity needs will depend on: (i) The successful and timely completion of our satellite system construction contracts; (ii) the development of certain related ground infrastructure; (iii) the design and development of our first generation handset and chipset; and (iv) the initial roll-out of our terrestrial network. As of December 31, 2007, we had contractual obligations of $341 million due within one year, consisting of approximately $173 million related to our satellite system, $160 million related our handset, chipset, and terrestrial network, and $8 million for operating leases. We have the ability to preserve cash by deferring certain operating and capital expenditures related to the deployment of our satellite and terrestrial network into future periods. We have identified in excess of $100 million of these contractual obligations that can be eliminated or deferred beyond 2008.

Our principal long-term liquidity needs are to fund the deployment and expansion of our terrestrial network, the design of our second generation handset and chipset, and orbital incentive payments related to our satellite contracts. In addition, we will need funds for working capital purposes, which we anticipate will grow as our operations expand. As of December 31, 2007, we had aggregate contractual payment obligations of approximately $753 million, consisting of approximately $186 million for the TerreStar Networks' satellites, approximately $21 million for our operating leases in Reston, Virginia, Lincolnshire, Illinois, Richardson Park, Texas, data centers, site hosting agreements and approximately $546 million for obligations related to the build out of our terrestrial network. However, we have identified in excess of $400 million of these contractual obligations that can be eliminated or deferred. We intend to fund our long-term liquidity needs related to operations and ongoing network deployment through proceeds from the sale of investment securities, the incurrence of indebtedness, equity financings or a combination of these potential sources of liquidity. Although we believe that these sources will provide sufficient liquidity for us to meet our future liquidity and capital obligations, our ability to fund these needs will depend on our future performance, which will be subject in part to general economic, financial, regulatory and other factors that are beyond our control, including trends in our industry and technology developments. However, we may not be able to obtain this additional financing on terms acceptable to us or at all.

Historically, we have relied on external funding through the issuance of debt and equity securities to fund operations. The existing indentures relating to our outstanding debt securities contain covenants that may impact our liquidity needs or limit our ability to incur future indebtedness. Specifically, the indentures governing our Exchangeable Notes and Credit Agreement, which were completed in early February 2008, require certain shareholder approvals by late July 2008 or we may be forced to accelerate repayment of the notes.

As part of the closing conditions of the sales of the Exchangeable Notes, we obtained the requisite shareholder consents to approve the required corporate actions in connection with the foregoing transactions from Harbinger and the other institutional investors who purchased the notes. As of February 7, 2008 Harbinger and such institutional investors who were also our shareholders held 53.4% of our common shares. We believe that such shareholder approval will be effective on or before the July 23, 2008 milestone date.

Narrative Description of the Business

TerreStar Networks Inc.

TerreStar Networks is our principal operating entity. In cooperation with its Canadian partner, 4371585 Communications and Company, Limited Partnership ("4371585 Communications"), formerly TMI Communications and Company, Limited Partnership, we plan to launch an innovative wireless communications system to provide mobile coverage throughout the U.S. and Canada using small, lightweight and inexpensive handsets similar to today's mobile devices. This system build out will be based on an integrated satellite and ground-based technology which will provide service in most hard-to-reach areas and will provide a nationwide interoperable, survivable and critical communications infrastructure.

By offering mobile satellite service ("MSS") using frequencies in the 2GHz band, which are part of what is often known as the "S-band", in conjunction with ancillary terrestrial components ("ATC"), we can effectively deploy an integrated satellite and terrestrial wireless communications network. Our network would allow a user to utilize a mobile device that would communicate with a traditional land-based wireless network when in range of that network, but communicate with a satellite when not in range of such a land-based network. We intend to provide multiple communications applications, including voice, data and video services. TerreStar Networks is in the process of building its first satellite pursuant to a construction contract with Space Systems/Loral, Inc. ("Loral"). Once launched, our TerreStar-1 satellite, with an antenna approximately sixty feet across, will be able to communicate with standard wireless devices.

Our ability to offer these services depends on TerreStar Networks' right to receive certain regulatory authorizations allowing it to provide MSS/ATC in the S-band. These authorizations are subject to various regulatory milestones relating to the construction, launch and operational date of the satellite system required to provide this service. We 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. For example, in order to provide ATC in the United States and Canada we must file additional applications separately from our satellite authorizations. In addition, the manufacturers of our ATC user terminals and base stations will need to obtain FCC equipment certifications and similar certifications in Canada.

TerreStar Networks was initially created as a subsidiary of MSV established to, among other things, develop a satellite communications system using the S-band. On May 11, 2005, we began to increase our ownership interest in TerreStar Networks when, in conjunction with a spin-off of TerreStar Networks to the owners of MSV, we purchased an additional $200 million of newly issued TerreStar Networks common stock. In conjunction with this transaction, TerreStar Networks also entered into an agreement with MSV'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 we anticipate will allow 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.

Since May 11, 2005, we have consolidated TerreStar Networks financial results in our financial statements.

Through TerreStar Networks, we plan to develop, build and operate an all IP-based 4G integrated satellite and terrestrial communications network to provide mobile communication services throughout the United States and Canada. Our network will address the growing demand for wireless mobile services across the government, commercial, and consumer segments. We plan to market these services on a wholesale basis to government agencies and commercial enterprises.

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. All of our spectrum is eligible for ATC status. ATC authorization provides 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. Our planned network is designed to allow an end user to seamlessly communicate with a terrestrial wireless network or our satellite through a conventional mobile device, optimizing service quality, continuity and geographic coverage.

We believe our planned all IP-based 4G network design will improve on existing network architecture and components to deliver greater network capacity, more efficiently and at a lower cost, than existing wireless networks. In December 2008, we plan to launch our first multi-spot beam geostationary satellite, TerreStar-1, which is designed so that the beams can be refocused dynamically. We are also currently developing a next-generation terrestrial network, which we believe will enable us to offer our integrated satellite/terrestrial service by the end of 2009. We are working with several vendors to develop a universal chipset architecture that can be incorporated into a wide range of mobile devices, including small, lightweight and inexpensive handsets.

We believe our network's satellite and terrestrial mobile capabilities will serve the needs of various users, such as U.S. and Canadian government and emergency first responder personnel who require reliable, uninterrupted and interoperable connectivity that can be provided by an integrated satellite and terrestrial network. In October 2006, we entered into a Cooperative Research and Development Agreement ("CRADA") with the U.S. Defense Information System Agency ("DISA") to jointly develop a North American emergency response communications network. We expect the CRADA to result in the development of products that will mutually benefit us and the U.S. government. We also believe that our planned network will appeal to a broad base of potential end users, customers and strategic partners, including those in the media, technology and communications sectors, logistics and distribution sectors and other sectors requiring uninterrupted wireless service.

Our Relationship with TerreStar Canada and 4371585 Communications

MSV formed TerreStar Networks in 2002 as a wholly-owned subsidiary and subsequently spun TerreStar Networks off to MSV's owners, which included TMI Communications and Company, Limited Partnership (now known as "4371585 Communications") and TerreStar Corporation or entities controlled by each. As part of the spin-off of TerreStar Networks, TMI Communications became contractually obligated to assign, subject to necessary regulatory approvals, its Industry Canada approval in principle to TerreStar Networks, or to an entity designated by TerreStar Networks that is eligible under Canadian law to hold the approval in principle. TerreStar Networks negotiated and committed, pursuant to a master agreement, to enter into the Transfer Agreements with TMI Communications (TMI Communications' outstanding obligations under the Transfer Agreements were assumed by 4371585 Communications on December 20, 2007 as the transferee of TMI Communications' interest in TerreStar Canada Holdings), TerreStar Canada, TerreStar Canada Holdings and certain other related parties (the "Transfer Agreements") pursuant to which TerreStar will transfer TerreStar-1 to TerreStar Canada and TMI Communications effectuated the transfer of its Industry Canada approval in principle to TerreStar Canada and FCC authorization to TerreStar Networks. 4371585 Communications' assignment of its Industry Canada approval to TerreStar Networks was authorized by Industry Canada on April 27, 2007. This authorization transferred the necessary approvals for TerreStar Canada to launch and operate a satellite at the 111.1 degrees west longitude orbital position in order to provide MSS in Canada. On October 10, 2007, Industry Canada clarified that the authorization as transferred included the authority to operate at 111.0 degrees west longitude. In order to comply with Canada's telecommunications foreign ownership rules, title to TerreStar-1 is expected to be transferred to TerreStar Canada at the time that title would have otherwise transferred to TerreStar Networks under the terms of its satellite construction contract with Loral, as amended.

The Transfer Agreements also provide for, among other things, the license of certain intellectual property rights to TerreStar Canada, the grant to TerreStar Networks of an indefeasible right to use capacity on TerreStar-1, and the provision by TerreStar Networks to TerreStar Canada of various consulting and other services. In addition, we are required to fund TerreStar Canada's operating losses.

TerreStar Networks owns 20% of the voting equity of TerreStar Canada as well as $33^1/_3$% of the voting equity of TerreStar Canada Holdings, TerreStar Canada's parent company. The remaining 80% of the voting equity of TerreStar Canada is held by TerreStar Canada Holdings and the remaining $66^2/_3$% of the voting equity of TerreStar Canada Holdings is held by 4371585 Communications. TerreStar Networks' interests in TerreStar Canada and TerreStar Canada Holdings reflect the maximum ownership levels currently permitted by applicable Canadian telecommunications foreign ownership rules.

Upon the receipt of approval from Industry Canada to transfer the Industry Canada approval in principle from TMI Communications to TerreStar Canada on April 27, 2007, (1) TerreStar Networks entered into a Shareholders' Agreement, or the TerreStar Canada Shareholders' Agreement, a Rights and Services Agreement, or the Rights and Services Agreement, a Guarantee and Share Pledge Agreement, or the TMI Guarantee and certain other Transfer Agreements, (2) TerreStar Canada executed a Guarantee in favor of TerreStar Networks, referred to as the TerreStar Canada Guarantee, and (3) TerreStar Networks and certain other parties entered into certain other Transfer Agreements. Set out below is a description of certain of the Transfer Agreements.

Effective December 20, 2007 BCE completed a restructuring which resulted in TMI Communications transferring all of its shares of TerreStar Canada Holdings to 4371585 Communications. 4371585 Communications is a wholly-owned subsidiary of BCE.

In connection with the restructuring, TMI Communications entered into an Agreement to be Bound and Release dated December 20, 2007 pursuant to which TMI Communications agreed to transfer to 4371585 Communications its $66^2/_3$% interest in TerreStar Canada Holdings and 4371585 Communications agreed to become bound by the terms and conditions of the TerreStar Canada Shareholders' Agreement. Further, pursuant to the Agreement to be Bound and Release, each of the parties to the TerreStar Canada Shareholders' Agreement released and discharged TMI Communications from its obligations under the TerreStar Canada Shareholders' Agreement.

TMI Communications also entered into a Joinder Agreement dated December 20, 2007 with 4371585 Communications, TerreStar Networks, TerreStar Canada and TerreStar Corporation, pursuant to which 4371585 Communications agreed to be bound by the terms and conditions of the Transfer Agreements to which TMI Communications was a party including, but not limited to, the TMI Guarantee, and the parties thereto agreed to release and discharge TMI Communications from its obligations under such Transfer Agreements.

On May 29, 2007 and June 15, 2007, pursuant to our Master Services Agreement with TerreStar Canada, we loaned TerreStar Canada $0.4 million and $0.35 million, respectively. Each note pays interest at 15.15%, and both mature on January 1, 2009.

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 Networks spun-off TerreStar Global to its stockholders. As a result, TerreStar Corporation became the indirect majority holder of TerreStar Global. In connection with the spin-off, TerreStar Networks made capital contributions to TerreStar Global of $5 million. In late 2006, TerreStar Global also raised an additional $5 million through a rights offering from its shareholders, in approximate proportion to their holdings, the majority of which came from TerreStar Corporation. As of December 31, 2007, TerreStar Corporation owned approximately 85% of the outstanding shares of TerreStar Global.

Through TerreStar Global, our goal is to build, own and operate a Pan-European integrated mobile satellite and terrestrial communications network to address public safety and disaster relief as well as provide broadband connectivity in rural regions to help narrow the digital divide. As Europe’s first next-generation integrated mobile satellite and terrestrial communication network, TerreStar Global plans to deliver universal access and tailored applications over a fully-optimized IP network.

On August 13, 2007, TerreStar Global issued a press release announcing that it intends to offer securities in a private offering. Neither the terms of the securities nor the amount of the proposed financing have been determined. As of December 31, 2007 this financing has not been completed. There can be no assurance that the financing will be completed. TerreStar Global intends to use the net proceeds from the offering to commence the construction of its satellite, to secure European 2GHz MSS S-band spectrum, and for general corporate purposes.

MSV and SkyTerra

On June 29, 2000, we formed a joint venture subsidiary, Mobile Satellite Ventures LP (“MSV”), with certain other parties, in which it owned 80% of the membership interests. Three investors unrelated to us owned the remaining 20% interests in MSV. The minority investors had certain participating rights which provided for their participation in certain major business decisions that were made in the normal course of business; therefore, in accordance with EITF No 96-16, “Investor’s Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights”, our investment in MSV has been recorded for all periods presented in the consolidated financial statements pursuant to the equity method of accounting. As a result of MSV’s capital transactions through 2004, our ownership interest decreased to 30%.

Through a series of transactions in 2005, we issued 12.7 million shares of our common stock and warrants to purchase common stock in exchange for 3.6 million MSV limited partnership units. In connection with these transactions, we allocated $100 million and $270 million of the excess of the purchase price to the proportionate underlying equity of MSV to identifiable intangibles (spectrum rights and intellectual property) and goodwill, respectively.

In 2006, we entered into the MSV Exchange Agreement, pursuant to which we agreed to exchange all of its interests in MSV and all of our shares of Mobile Satellite Ventures GP Inc. (“MSV GP”) for approximately 47.9 million shares of non-voting common stock of SkyTerra Communications, Inc. (“SkyTerra”) in one or more closings. As part of the agreement, we agreed to use its commercially reasonable efforts to distribute approximately 25.5 million SkyTerra shares to our common stockholders and approximately 4.4 million to preferred stockholders, to the extent the preferred holders convert to common stock. In September 2006, we exchanged approximately 60% of our MSV interests for approximately 29.1 million shares of SkyTerra non-voting common stock, of which 3.6 million were sold shortly thereafter. During 2007, we exchanged our remaining interests in MSV for approximately 18.9 million SkyTerra non-voting shares.

As of December 31, 2007 and 2006, our SkyTerra and MSV ownership interests were 42% and zero, respectively.

Note 2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts are eliminated upon consolidation. Investments in which the company does not have the ability to exercise significant influence are carried at the lower of cost or estimated realizable value. The Company monitors investments for other than temporary declines in value and makes reductions in value when appropriate.

The Company’s investment in MSV was accounted for under the equity method since 2001. Accordingly, the investment in MSV was carried at cost, adjusted for the Company’s proportionate share of earnings or losses.

Reclassifications

Certain reclassifications have been made to the prior year’s financial statements and notes thereto to conform to the current year presentation.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company’s most significant estimates relating to its continuing operations include the valuation of stock based compensation, the valuation of deferred tax assets and long-lived assets. In addition, significant estimates related to the Company’s discontinued operations included its valuation for doubtful accounts and the valuation of long-lived terrestrial wireless assets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

Restricted Cash and Investments

At December 31, 2007, the Company had $5.5 million of restricted cash and investments held in money market escrow accounts. Included in that amount is approximately $2.8 million restricted in accordance with the Company’s satellite construction contract. In addition, approximately $2.3 million is restricted in accordance with the Company’s asset purchase agreement with Geologic Solutions, Inc. and Logo Acquisition Corporation, and approximately $0.4 million is restricted in accordance with various leases and security deposits.

The Company had $54.6 million of restricted cash and investments at December 31, 2006 held in money market escrow accounts and Certificates of Deposit. This amount is comprised of $24.5 million restricted in accordance with the Company's satellite construction contract, $10.7 million restricted in accordance with the Company's preferred stock agreements, which was paid in April 2007, and $13.1 million restricted in accordance with the TerreStar Corporation's Senior Secured Notes and were reflected as current assets, which was also paid during 2007. Restricted investments of $6.3 million were reflected as non-current, of which $5.9 million was restricted in accordance with the Company's assets purchase agreement with Geologic Solutions, Inc. and Logo Acquisition Corporation and $0.4 million was restricted in accordance with various lease and security deposits.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts receivable sufficient to cover probable and reasonably estimable losses related to non-trade receivables. Our estimate of the allowance for doubtful accounts related to non-trade receivables is based on historical collection experience and known disputes. Accounts are written off as uncollectible at the discretion of management. This policy, while it currently relates to TerreStar Corporation's discontinued operations, is the same policy TerreStar Corporation will use when its operations produce revenues.

Property and Equipment

We record property and equipment, or P&E, including leasehold improvements at cost. P&E consists of network, lab, office and computer equipment, internal use software, and leasehold improvements. The satellite and terrestrial network assets under construction primarily include materials, labor, equipment and interest related to the construction and development of our satellite and billing system. The satellite and terrestrial network assets under construction are not depreciated until placed into service. Interest capitalized in connection with the satellite and terrestrial network assets under construction totaled $27.6 million and $0.3 million in 2007 and 2006 respectively. Repair and maintenance costs are expensed as incurred.

In accordance with Statement of Position 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal use" ("SOP 98-1"), we capitalize software developed or obtained for internal use during the application development stage. These costs are included in property and equipment and, when the software is placed in service, are depreciated over an estimated useful life of three years. Costs incurred during the preliminary project stage, as well as maintenance and training costs are expensed as incurred.

The cost of P&E is depreciated on a straight-line basis over the estimated economic useful lives as follows:

Long Lived Assets	Estimated Useful Life
Network, lab and office equipment	5 years
Computers, software and equipment	3 years
Leasehold improvements	Lesser of lease term or estimated useful life
Definite lived intangible assets	15 years
Satellite and Terrestrial Network Assets Under Construction	15 years (to begin at launch)

Intangible Assets

Definite lived intangible assets primarily consist of intangible assets related to Federal Communications Commission ("FCC") spectrum clearing frequencies and other intellectual property that were obtained in connection with several exchange transactions of TerreStar Corporation common stock for TerreStar Networks common stock with shareholders pursuant to an exchange agreement entered into in 2006. Definite lived intangible assets are amortized over an estimated economic useful life of fifteen years.

Valuation of Long-Lived and Intangible Assets

We evaluate whether long-lived and intangible assets, excluding goodwill, have been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For such assets, an impairment exists when its carrying value exceeds the sum of estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of an asset are under consideration, a probability-weighted approach is used for developing estimates of future undiscounted cash flows. If the carrying value of the asset is not recoverable based on these estimated future undiscounted cash flows, the impairment loss is measured as the excess of the asset's carrying value over its fair value, such that the asset's carrying value is adjusted to its estimated fair value.

Investment in SkyTerra

We have accounted for our investment in SkyTerra at cost in accordance with APB 18, "The Equity Method of Accounting for Investments in Common Stock". Our investment in SkyTerra was obtained as a result of the MSV Exchange Agreement in 2006. Our MSV partnership units were exchanged for shares in SkyTerra in both 2006 and 2007. Although our investment in common stock is non-voting, we determined the fair value of our investment based on the trading sales prices of SkyTerra shares as listed on the OTC Bulletin Board ("SKYT").

Income Taxes

Income taxes are accounted for under the liability method whereby deferred tax asset and liability account balances are calculated at the balance sheet date using current tax laws and rates for the year in which the differences are expected to affect taxable income. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely that such assets will not be realized.

Fair Value of Financial Instruments

The fair value of certain of the Company's financial instruments, including cash and cash equivalents and other accrued expenses approximate cost because of their short maturities. We value our debt instruments at cost. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

Treasury Stock

We account for the purchase of treasury stock at cost. Upon reissuance of shares of treasury stock, we record any difference between the weighted-average cost of such shares and any proceeds received as additional paid-in-capital.

Stock Based Compensation

The Company adopted the fair value recognition provisions of SFAS No. 123(R), "Share Based Payment" on January 1, 2006. The Company elected the modified prospective transition method provided under SFAS 123(R) and consequently prior period results have not been restated to reflect, and do not include, the impact of SFAS 123(R). Under this transition method, compensation cost associated with stock-based awards recognized beginning in 2006 now includes compensation expense related to the grant date fair value for the remaining unvested portion of stock-based awards granted prior to December 31, 2005 and compensation expenses related to stock-based awards granted subsequent to December 31, 2005.

The fair value of options is estimated using the Black-Scholes option-pricing model which considers, among many factors, the expected life of the award and the expected volatility of the Company's stock price.

Research and Development Costs

The 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 costs of personnel engaged in research and development activities, and the costs of intangible assets that are purchased from others for use in research and development activities that have alternative future uses. Costs that are not clearly related to research and development activities or routine in nature are excluded from research and development costs.

Earnings (Loss) per Common Share

The Company accounts for earnings per share in accordance with SFAS No. 128, "Earnings Per Share". Basic earnings (loss) per common share is calculated by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. This includes the reported net income (loss) plus the loss attributable to preferred stock dividends and accretion. Diluted earnings (loss) per common share adjusts basic earnings (loss) per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity plans computed using the treasury stock method, and the dilutive effects of shares issuable upon the conversion of our convertible Preferred Stock computed using the if-converted method.

Shares issuable under our equity plans were antidilutive in 2007, 2006 and 2005 because we incurred a net loss from continuing operations. For the years ended 2007, 2006, and 2005 we had approximately 690,000, 758,000 and 6.7 million options and warrants respectively that were exercisable because the average market price was greater than the exercise price. We also had 408,500 shares of preferred stock convertible into 12.3 million common shares which were not included since their effects were antidilutive for the years ended 2007, 2006 and 2005.

Translation of Foreign Currencies

The assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates, with resulting translation gains and losses accumulated in a separate component of shareholders' equity. Income and expense items are translated into U.S. dollars at average rates of exchange prevailing during the period.

Comprehensive Income

Comprehensive income refers to the change in an entity's equity during a period resulting from all transactions and events other than capital contributed by and distributions to the entity's owners. For the Company, the only item other than net loss that is included in comprehensive income is foreign currency translation adjustments. Comprehensive loss was approximately $239 million, $134 million and $139 million for the years ended December 31, 2007, 2006 and 2005 respectively. Accumulated other comprehensive income as reflected in the Consolidated Balance Sheets, consists of cumulative foreign currency translation adjustments.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issues SFAS No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The FASB agreed to issue as a final FSP FAS 157-b, "Effective Date of FASB Statement 157" at its February 6, 2008 meeting. The FSP provided a one-year deferral of the effective date of Statement 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in financial statements at fair value at least annually. For non-financial assets and non-financial liabilities subject to the deferral, Statement 157 will be effective in fiscal years beginning after November 15, 2008 and in interim periods within those fiscal years.

Since SFAS 157 was deferred until January 1, 2009 for non-financial assets and liabilities, there will be no impact on any fair value measurement related to recurring impairment tests on these non-financial assets for the year ending December 31, 2007.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115." SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Furthermore, SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. At the effective date, an entity may elect the fair value option for eligible items that exist at that date. The effect of the re-measurement is reported as a cumulative-effect adjustment to opening retained earnings. SFAS 159 is not applicable to the Company's financial statements for the year ending December 31, 2007.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51". SFAS No. 160 requires the recognition of a non-controlling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the non-controlling interest will be included in consolidated net income on the face of the income statement. SFAS No. 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The potential impact, if any, of the adoption of SFAS No. 160 on our consolidated financial statements is currently not determined.

In December 2007, the FASB issued Statement No. 141 (revised), "Business Combinations" which replaces FASB Statement No. 141, and applies to all business entities. This Statement makes significant amendments to other Statements and other authoritative guidance, and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date.

Concentrations of Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and short-term investments. The Company periodically invests its cash balances in temporary or overnight investments. The Company's short-term investments include debt securities such as commercial paper, time deposits, certificates of deposit, banker acceptances and marketable direct obligations of the United States Treasury with high credit quality financial institutions. At December 31, 2007, the Company had approximately $89 million of cash deposits, excluding restricted cash, in excess of amounts insured by the Federal Deposit Insurance Corporation. To date, the Company has not experienced any losses on cash deposits.

Note 3. Restatement to Previously Issued Financial Statements

As previously announced on February 20, 2008, TerreStar Corporation and its Audit Committee concluded that our consolidated financial statements for the year ended December 31, 2006 and the quarters ended September 30, 2006, March 31, 2007, June 30, 2007, and September 30, 2007, would be restated for the correction of errors resulting from its historical accounting associated with the Exchange Agreement (the “MSV Exchange Agreement”) with SkyTerra Communications, Inc. (“SkyTerra”) which was entered in on May 6, 2006 and consummated on September 25, 2006. Details surrounding the nature of the corrections are as follows:

Under the MSV Exchange Agreement, we agreed to exchange all of our shares of common stock of Mobile Satellite Ventures GP Inc. (“MSV GP”) and all of our limited partnership interests of Mobile Satellite Ventures LP (“MSV”) for approximately 47.9 million shares of non-voting common stock of SkyTerra in one or more closings. As part of the exchange, we agreed to use our commercially reasonable efforts to distribute approximately 25.5 million SkyTerra shares to our common stockholders. To date, we have been unable to distribute these shares to our stockholders because of questions surrounding our Series A Cumulative Convertible Preferred Stock (the “Series A Preferred Stock”). Until such time as the Series A Preferred Stock is no longer outstanding or questions regarding the Series A Preferred Stock have been resolved, we are unable to pay this dividend. After discussions with our Audit Committee, external auditors and the staff of the SEC, we determined that we should have recorded a liability for this dividend and shall continue to record this liability until such time as we are able to distribute these shares to our common stockholders. The error correction resulted in a decrease to additional paid in capital and a corresponding increase to establish the dividend liability at September 30, 2006. Subsequent to this change, we analyzed the value of the SkyTerra shares on a quarterly basis as prescribed under APB 18 to determine if an other than temporary impairment on the cost basis of the shares had occurred. To the extent that we recognized an impairment charge relative to the shares reserved for the dividend liability, we adjusted the dividend liability accordingly.

We also determined, and the Audit Committee approved, that we should have used the historical cost basis of our interests in MSV and MSV GP immediately preceding the exchange to record our investment in SkyTerra as of September 30, 2006. Our historical accounting recognized a gain on the exchange which was subsequently written down to below our cost basis as a result of other than temporary impairment charges associated with this investment. The error correction resulted in a decrease to our investment in SkyTerra and a reversal of the gain recorded on the exchange of MSV interests for SkyTerra shares in the quarter ended September 30, 2006. In addition, our investment in SkyTerra was originally accounted for in accordance with SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities* , and is now accounted for under the cost method as prescribed by APB 18 , *The Equity Method of Accounting for Investments in Common Stock.* The impact of this change in accounting resulted in the reversal of several “mark to market” adjustments recorded in other comprehensive income (loss) for certain of the periods restated. In addition, in the original exchange transaction approximately $9 million of deal costs were reported as a reduction of the gain in our Statement of Operations as of September 30, 2006. As we have now determined that the gain was recorded in error, the $9 million deal costs are reflected in general and administrative expenses as a period cost. During the fourth quarter of 2006, we concluded that we were improperly reducing our basis in our investment of MSV by our proportional share of stock compensation expense, which was recorded in our line item Equity in losses of MSV. This adjustment was not material and was reflected in our Investment in MSV balance at December 31, 2006. We made this adjustment in the quarter ended September 30, 2006 to properly reflect our Investment in MSV and dividend liability as a result of the MSV Exchange Agreement.

Subsequent to our previous announcement dated February 20, 2008, we identified an error in our previously issued financial statements related to the calculation of the stock-based compensation expense during the quarter ended June 30, 2007 related to the one-time May 23, 2007 stock option exchange transaction between TerreStar Corporation and TerreStar Networks, in which we overstated expense by $8 million.

The following table presents the effect of the restatement adjustments upon our previously reported Consolidated Statement of Operations (in thousands, except per share amounts):

	For the Year Ended December 31, 2006		
	As Reported	Adjustments	Restated
Operating Expenses			
General and administrative	$ 75,395	$ 8,858	$ 84,253
Research and development	10,549	—	10,549
Depreciation and amortization	6,796	—	6,796
Loss on impairment of intangibles	4,909	—	4,909
Total operating expenses	97,649	8,858	106,507
Operating loss from continuing operations	(97,649)	(8,858)	(106,507)
Interest expense	(2,608)	—	(2,608)
Interest and other income	7,948	—	7,948
Equity in losses of MSV	(30,079)	—	(30,079)
Minority interests in losses of TerreStar Networks	20,655	—	20,655
Minority interests in losses of TerreStar Global	654	—	654
Gain on investments	41,422	(30,162)	11,260
Decrease in dividend liability	—	—	—
Other than temporary impairment-SkyTerra	—	—	—
Loss from continuing operations before income taxes	(59,657)	(39,020)	(98,677)
Income tax benefit (expense)	(4,535)	—	(4,535)
Net loss from continuing operations	(64,192)	(39,020)	(103,212)
Loss from discontinued operations	(30,422)	—	(30,422)
Net loss	(94,614)	(39,020)	(133,634)
Less:			
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	(23,627)	—	(23,627)
Accretion of issuance costs associated with Series A and Series B	(4,029)	—	(4,029)
Net loss available to Common Stockholders	$ (122,270)	$ (39,020)	$ (161,290)
Basic & Diluted Loss Per Share—Continuing Operations	$ (1.41)	$ (0.60)	$ (2.01)
Basic & Diluted Loss Per Share—Discontinued Operations	$ (0.47)	$ —	$ (0.47)
Basic & Diluted Loss Per Share	$ (1.88)	$ (0.60)	$ (2.48)
Basic & Diluted Weighted-Average Common Shares Outstanding	64,966	—	64,966

The following table presents the effect of the restatement adjustments upon our previously reported Consolidated Balance Sheet (in thousands):

	December 31, 2006		
	As Reported	Adjustments	Restated
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 171,665	$ —	$ 171,665
Cash committed for satellite construction costs	24,486	—	24,486
Restricted cash for Series A and Series B Cumulative convertible preferred stock dividends	10,723	—	10,723
Restricted cash for Senior Secured Notes	13,087	—	13,087
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,255	—	4,255
Deferred issuance costs associated with Senior Secured Notes	5,708	—	5,708
Assets held for sale	367	—	367
Other current assets	2,602	—	2,602
Total current assets	232,893	—	232,893
Restricted investments	6,255	—	6,255
Property and equipment, net	259,169	—	259,169
Intangible assets, net	144,265	—	144,265
Investment in MSV	184,665	—	184,665
Investment in SkyTerra	293,510	(293,510)	—
Investment in SkyTerra—Restricted	—	254,490	254,490
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	10,692	—	10,692
Total assets	$ 1,131,449	$ (39,020)	$ 1,092,429
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 12,415	$ —	$ 12,415
Accounts payable to Loral for satellite construction contract	9,073	—	9,073
Accrued income taxes payable	4,641	—	4,641
Deferred rent and other current liabilities	1,199	—	1,199
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	8,174	—	8,174
Senior Secured Notes and accrued interest, thereon	202,267	—	202,267
Current liabilities of discontinued operations	45	—	45
Total current liabilities	237,814	—	237,814
Deferred rent and other long-term liabilities	3,049	—	3,049
SkyTerra investment dividends payable	—	254,490	254,490
Total liabilities	240,863	254,490	495,353
Commitments and Contingencies			
Minority interest in TerreStar Networks	68,617	—	68,617
Minority interest in TerreStar Global	1,633	—	1,633
Series A cumulative convertible preferred stock	90,000	—	90,000
Series B cumulative convertible preferred stock	318,500	—	318,500
STOCKHOLDERS' EQUITY:			
Common stock	737	—	737
Additional paid-in capital	886,463	(254,490)	631,973
Common stock purchase warrants	73,200	—	73,200
Less: 3,951,202 common shares held in treasury stock at December 31, 2007 and December 31, 2006	(73,877)	—	(73,877)
Accumulated deficit	(474,687)	(39,020)	(513,707)
Total stockholders' equity	411,836	(293,510)	118,326
Total liabilities and stockholders' equity	$ 1,131,449	$ (39,020)	$ 1,092,429

The following table presents the effect of the restatement adjustments upon our previously reported Consolidated Statement of Cash Flows (in thousands):

	For the Year Ended December 31, 2006		
	As Reported	Adjustments	Restated
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES:			
Net loss	$ (94,614)	$ (39,020)	$ (133,634)
Adjustments to reconcile net loss to net cash used in continuing operating activities:			
Income from discontinued operations	30,422	—	30,422
Depreciation and amortization	6,796	—	6,796
Equity in losses of MSV	30,079	—	30,079
Minority interests in losses of TerreStar Global	(654)	—	(654)
Minority interests in losses of TerreStar Networks	(20,655)	—	(20,655)
Gain (loss) on investments	(41,422)	30,162	(11,260)
Amortization of deferred financing costs	538	—	538
Non-cash 401(k) match	156	—	156
Stock-based compensation	35,756	—	35,756
Loss on impairment of intangibles	4,909	—	4,909
Changes in assets and liabilities:			
Other current assets	(345)	—	(345)
Accounts payable and accrued expenses	9,155	—	9,155
Accrued interest	2,267	—	2,267
Deferred rent and other liabilities	4,242	—	4,242
Net cash used in continuing operating activities	$ (33,370)	$ (8,858)	$ (42,228)
CASH FLOWS FROM CONTINUING INVESTING ACTIVITIES:			
Proceeds of restricted cash and investments	$ 61,511	$ —	$ 61,511
Proceeds from the sale of investments	46,951	—	46,951
Proceeds from TerreStar Global rights offering	672	—	672
Accounts payable to Loral for satellite construction contract	(59,771)	—	(59,771)
Additions to property and equipment	(175,808)	—	(175,808)
Net cash used in continuing investing activities	$ (126,445)	$ —	$ (126,445)
CASH FLOWS FROM CONTINUING FINANCING ACTIVITIES:			
Proceeds from issuance of Senior Secured Notes	$ 200,000	$ —	$ 200,000
Proceeds from issuance of equity securities	9,388	8,858	18,246
Purchase of treasury stock	(6,791)	—	(6,791)
Dividends paid on Series A and B Cumulative Convertible Preferred Stock	(21,446)	—	(21,446)
Debt issuance costs and other charges	(6,245)	—	(6,245)
Net cash provided by continuing financing activities	$ 174,906	$ 8,858	$ 183,764
Net cash provided by continuing operations	$ 15,091	$ —	$ 15,091
Net cash used in discontinued operating activities	$ (18,435)	$ —	$ (18,435)
Net cash used in discontinued investing activities	$ (4,515)	$ —	$ (4,515)
Net cash used in discontinued operations	(22,950)	—	(22,950)
Net decrease in cash and cash equivalents	(7,859)	—	(7,859)
CASH AND CASH EQUIVALENTS, beginning of period	179,524	—	179,524
CASH AND CASH EQUIVALENTS, end of period	$ 171,665	$ —	$ 171,665

Note 4. Assets Held for Sale

On July 26, 2007, the Company sold its spectrum frequency assets held for sale to Nextel Communications for approximately $0.5 million pursuant to an asset purchase agreement executed between Motient Communications Inc., Motient License Inc., subsidiaries of TerreStar Corporation, and Nextel dated April 13, 2007. The Company recognized a $0.1 million gain for the year ended December 31, 2007.

Note 5. Property and Equipment

The components of property and equipment as of December 31, 2007 and 2006 are presented in the table below.

	December 31, 2007	December 31, 2006
	(in thousands)	
Network equipment	$ 2,578	$ 892
Lab equipment	7,905	1,791
Office equipment	5,332	1,498
Leasehold Improvements	2,963	1,769
Satellite construction in progress	526,140	253,352
Terrestrial Network under Construction	28,866	—
	573,784	259,302
Less accumulated depreciation	(2,633)	(133)
Property and equipment, net	$ 571,151	$ 259,169

The satellite construction in progress and terrestrial network under construction includes $26.8 million and $1.1 million respectively, of interest capitalized as of December 31, 2007.

Depreciation expense for the years ended December 31, 2007, 2006 and 2005 was $2.6 million, $0.1 million and $0.1 million, respectively.

Note 6. Intangible Assets

Intangible assets as of December 31, 2007 and 2006 are presented in the table below.

	December 31, 2007	December 31, 2006
	(in thousands)	
2 GHz licenses	$ 202,324	$ 131,216
Intellectual Property	35,704	23,156
	238,028	154,372
Less accumulated amortization	(25,772)	(10,107)
Intangible assets, net	$ 212,256	$ 144,265

Amortization expense for the years ended December 31, 2007, 2006 and 2005 was $15.7 million, $6.7 million and $3.4 million, respectively.

Assets acquired in the May 11, 2005 asset purchase of TerreStar Networks were recorded on the Company's Consolidated Balance Sheet as of the date of the purchase based upon their fair values at such date. Approximately $78 million was allocated to intangible assets that include the rights to receive licenses in the 2GHz band and other intangibles. An additional $76 million was added to the intangible asset balance during 2006, and an additional $83 million was added during 2007. These intangible assets are being amortized over an average life of 15 years. Expected future amortization, is approximately $17.1 million annually over each of the next twelve years.

The Company has utilized numerous assumptions and estimates in applying its valuation methodologies and in projecting future operating characteristics for the TerreStar Networks business enterprise. In general, the Company considered population, market penetration, products and services offered, unit prices, operating expenses, depreciation, taxes, capital expenditures and working capital. The Company also considered competition, satellite and wireless communications industry projections and trends, regulations and general economic conditions. In the application of its valuation methodologies, the Company applies certain royalty and discount rates that are based on analyses of public company information, assessment of risk and other factors and estimates.

The Company's initial valuation of TerreStar Network's intellectual property rights was determined utilizing a form of the income approach referred to as the relief from royalty valuation method. The Company assumed a 10% to 12% royalty rate applied to a projected revenue stream generated by a hypothetical licensee utilizing such intellectual property rights.

Note 7. Investments

We have historically accounted for our investment in MSV using the equity method, and our investment in SkyTerra under APB18 using the cost method. The Company has analyzed the impairment against its investment in SkyTerra and has concluded that an impairment of $106.8 million has occurred for the year ended December 31, 2007.

In 2006, the Company entered into the MSV Exchange Agreement, pursuant to which the Company agreed to exchange all of its interests in MSV and all of our shares of Mobile Satellite Ventures GP Inc. for approximately 47.9 million shares of non-voting common stock of SkyTerra in one or more closings. As part of the agreement, the Company agreed to use its commercially reasonable efforts to distribute approximately 25.5 million SkyTerra shares to its common stockholders and approximately 4.4 million to preferred stockholders, to the extent the preferred holders convert to common stock. In September 2006, the Company exchanged approximately 60% of its MSV interests for approximately 29.1 million shares of SkyTerra non-voting common stock, of which 3.6 million were sold shortly thereafter.

In 2007, we exchanged approximately 6.7 million limited partnership units of MSV for approximately 18.8 million shares of SkyTerra non-voting common stock. As a result of this exchange the historical cost basis of $177.6 million transferred from our investment in MSV to our investment in SkyTerra in accordance with APB 29.

As of December 31, 2007, we have restricted $221.6 million of our SkyTerra investment to represent the portion of our SkyTerra shares we plan to distribute as a dividend to our shareholders. The remaining unrestricted portion of our SkyTerra investment represented $103.7 million as of December 31, 2007. On February 6, 2008 we sold 14.4 million shares of non-voting common stock of SkyTerra to Harbinger Capital Fund I L.P. for an aggregate sales price of $76.4 million.

As of December 31, 2007, our SkyTerra and MSV ownership interests were 42% and zero, respectively.

Note 8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses of continuing operations consist of the following:

	December 31, 2007	December 31, 2006
	(In thousands)	
Accounts payable	$ 18,320	$ 1,049
Accrued Consultant Expense	18,691	—
Accrued compensation and benefits	2,519	925
Accrued Legal Expense	2,122	—
Accrued operating and other expenses	1,068	10,441
	$ 42,720	$ 12,415

Note 9. Long-Term Debt

Notes

On February 14, 2007, ("Date of Issuance") TerreStar Networks issued $500 million aggregate principal amount of Senior Secured PIK Notes due 2014 (the "TerreStar Notes") pursuant to an Indenture (the "Indenture"), among TerreStar Networks, as issuer, the guarantors from time to time party thereto (the "Guarantors") and U.S. Bank National Association, as trustee.

The TerreStar Notes bear interest from the Date of Issuance at a rate of 15% per annum. If certain milestones are not met, additional interest of up to 1.5% per annum will accrue on the TerreStar Notes. Until and including February 15, 2011, interest on the TerreStar Notes will be 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. The TerreStar Notes are scheduled to mature on February 15, 2014.

The TerreStar Notes are secured by a first priority security interest in the assets of TerreStar Networks, subject to certain exceptions, pursuant to a U.S. Security Agreement (the "Security Agreement"), dated as of February 14, 2007, among TerreStar Networks, as issuer, and any entities that may become Guarantors (as defined in the Indenture) in the future under the Indenture in favor of U.S. Bank National Association, as collateral agent. The assets of TerreStar Networks that collateralize the TerreStar Notes amount to $693 million, consisting primarily of satellites under construction, property and equipment and cash and cash equivalents.

On August 15, 2007, $37.7 million of interest was converted into additional TerreStar Notes in accordance with the Indenture agreement. As of December 31, 2007, the carrying value of the TerreStar Notes was $568.0 million including accrued interest.

Leases

As of December 31, 2007, the Company has non-cancelable leases for office space, co-location sites, calibration earth stations, towers and furniture and equipment under operating leases expiring through 2027.

Rent expense, net of sublease income, totaled approximately $2.9 million, $6.5 million and $2.3 million for the years ended December 31, 2007, 2006 and 2005, respectively. Rent expense is recognized on a straight-line basis over the term of the lease agreement.

Note 10. Stockholders' Equity

As of December 31, 2007 and 2006, the Company has authorized 5,000,000 shares of preferred stock and 200,000,000 shares of common stock. For each share of common stock held, common stockholders are entitled to one vote on matters submitted to the stockholders.

The Preferred Stock may be issued in one or more series at the discretion of the Board of Directors (the "Board"), without stockholder approval. The Board is authorized to determine the number of shares in each series and all designations, rights, preferences and limitations on the shares in each series, including, but not limited to, determining whether dividends will be cumulative or non-cumulative.

Common Stock

On September 7, 2006, we completed a rights offering for our common stock. In the offering, we sold 2,133,335 shares of common stock at a price of $8.l57 per share for net proceeds of $18.2 million. The rights offering was open to our stockholders of record as of December 17, 2004 who had not participated in our private placement of common stock in November 2004. Each eligible record holder received a right to purchase 0.103 shares of our common stock for each share of common stock held on the record date.

In September 2006, we issued 4,119,386 shares of TerreStar Corporation common stock in exchange for 2,314,462 shares of common stock of TerreStar Networks previously owned by Columbia Capital ("Columbia"), Spectrum Equity Investors ("Spectrum") and TSTR Investors LLC.

During 2007, we exchanged approximately 15 million shares of our common stock for approximately 9 million shares of TerreStar Networks common stock and approximately 2 million shares of TerreStar Global common stock with holders of TerreStar Networks common stock or options to purchase shares of TerreStar Networks common stock that were exercised immediately prior to the exchange. On June 12, 2007, we filed a resale registration statement with the SEC to register the resale of these shares.

Under the purchase method of accounting, the above common stock exchanges were recorded at fair values as of the exchange date. As of December 31, 2007 and 2006, the excess of the fair values of the common stock exchanged resulted in an allocation of $82.9 million and $53.0 million, respectively, to intangible assets. The impairment for the twelve months ended December 31, 2007 and 2006 was $6.7 million and $4.9 million, respectively. As of December 31, 2007, our ownership interest in TerreStar Networks and TerreStar Global was approximately 86% and 85%, respectively, on a non-diluted basis.

Share Repurchases

On May 13, 2005, we entered into an agreement to repurchase 500,000 shares of our common stock from Mr. George Haywood, at a price of $19.90 per share. The repurchase was completed on May 18, 2005. Mr. Haywood owned approximately 9% of our outstanding common stock prior to the repurchase.

On May 17, 2005, we repurchased an aggregate of approximately 2.4 million shares of our common stock from several different entities at a price of $19.50 per share.

On November 4, 2005, the Executive Committee of the Board of Directors authorized us to repurchase up to $50 million of our outstanding common shares. From time to time throughout the month of November 2005, we purchased a total of 565,000 common shares in the open market. The average purchase price per common share was $17.39.

In the second half of 2005, we repurchased shares of common stock from several directors, Messrs. Kittner, Singer and Steele and Ms. St. John, which were surrendered to us pursuant to the terms of their respective restricted stock grants. We paid a total of $496,000 for an aggregate of 22,202 common shares.

In April 2006 and June 2006, we repurchased a combined 464,000 shares of our common stock for an aggregate of $6.8 million. The average purchase price per common share was $14.60. The repurchased shares are included in treasury stock.

As of December 31, 2007, the Company had reserved common stock for future issuance, as detailed below:

Shares issuable upon exercise of warrants	4,213,400
Shares issuable upon conversion of preferred Stock	12,255,000
Defined Contribution Plan	49,096
Shares issuable upon exercise of options	9,568,911
Total	26,086,407

Convertible Preferred Stock

We account for Series A and B Cumulative Redeemable Convertible Preferred Stock under Accounting Series Release 268 "Redeemable Preferred Stocks". As of December 31, 2007 and 2006, we had 5,000,000 authorized shares of preferred stock, consisting of 450,000 Series A shares, 500,000 Series B shares and 4,050,000 undesignated.

On April 15, 2005, we sold 408,500 shares of non-voting Series A Cumulative Convertible Preferred Stock ("Series A Preferred"), $0.01 par value in a private placement exempt from the registration requirements of the Securities Act of 1933. We received cash proceeds, net of $17.6 million in placement agent commissions of which approximately $11.5 million was paid to Tejas Securities Group, Inc., a related party and Deutsche Bank Securities Inc., (before escrowing a portion of the proceeds as required under the terms of the preferred stock described below) of approximately $391 million.

In connection with the sale of the Series A Preferred stock, we granted warrants exercisable for an aggregate of 154,109 shares of our common stock to the purchasers. The warrants have a term of five years and an exercise price equal to $26.51 per share. Since we were unable to meet certain registration deadlines with respect to the shares of preferred stock, each warrant vested as to 1/365 th of the shares of common stock underlying the warrant for each day after September 7, 2005. The fair value of the warrants was estimated at $3.9 million using a Black-Scholes model with volatility of 757%, risk free rate of 2.72% and a current stock price on the date of issue of $25 and recorded as additional deferred issuance costs.

The rights, preferences and privileges of the Series A Preferred are contained in Certificates of Designations of the Series A Cumulative convertible Preferred Stock. The following is a summary of these rights, preferences and privileges:

- The Series A Preferred Stock has voting rights limited to those listed below, or except as required by applicable law. Upon (a) the accumulation of accrued and unpaid dividends on the outstanding shares of Series A Preferred for two or more six month periods, whether or not consecutive; (b) the failure of the Company to properly redeem the Series A Preferred Stock, or (c) the failure of the Company to comply with any of the other covenants or agreements set forth in the continuance of such failure for 30 consecutive days or more after receipt of notice of such failure from the holders of at least 25% of the Series A preferred then-outstanding shares of Series A Preferred, with the holders of shares of any parity securities issued after April 15, 2005 upon which like voting rights have been conferred and are exercisable, voting as a single class, will be entitled to elect two directors to the Company's Board of Directors for successive one-year terms until such defect listed above has been cured. In addition, the Company must obtain approval of the holders of a majority of the then outstanding shares of Series A Preferred to modify the rights, preferences or privileges of the Series A Preferred in a manner adverse to the holders of Series A Preferred.

- From April 15, 2005 to April 15, 2007 the Company is required to pay dividends in cash at a rate of 5.25% per annum (the "Cash Rate") on the shares of Series A Preferred. The Company was required to place the aggregate amount of these cash dividends, $42,892,500, in an escrow account. These cash dividends will be paid to the holders of Series A Preferred from this escrow account in four semi-annual payments, unless earlier paid pursuant to the terms described below. The first of these dividend payments was made on October 15, 2005.

- From April 15, 2007 to April 15, 2010, the Company is required to pay dividends on each share of Series A Preferred either in cash at the Cash Rate or in shares of the Company's common stock at a rate of 6.25% per annum.
- If any shares of Series A Preferred remain outstanding on April 15, 2010, the Company is required to redeem such shares for an amount equal to the purchase price paid per share plus any accrued but unpaid dividends on such shares.
- Each holder of shares of the Series A Preferred shall be entitled to convert their shares into shares of the Company's common stock at any time. Each share of Series A Preferred will initially be convertible into 30 shares the Company's common stock. Upon conversion, any accrued but unpaid dividends on such shares will also be issued as shares of common stock, in a number of shares determined by dividing the aggregate value of such dividend by $33.33. Upon conversion all amounts paid to holders of Series A Preferred will be paid in shares of the Company's common stock.
- Upon a change in control of the Company, each holder of Series A Preferred shall be entitled to require the Company to redeem such holder's shares of Series A Preferred for an amount in cash equal to $1,080 per share plus all accrued and unpaid dividends on such shares.
- No dividends may be declared or paid, and no funds shall be set apart for payment, on shares of the Company's common stock, unless (i) written notice of such dividend is given to each holder of shares of Series A Preferred not less than 15 days prior to the record date for such dividend and (ii) a registration statement registering the resale of the Conversion Shares has been filed with the SEC and is effective on the date the Company declares such dividend.

Upon the liquidation, dissolution or winding up of the Company, the holders of Series A Preferred are entitled to receive, prior and in preference to any distributions to holders of shares of the Company's common stock, an amount equal to $1,000 per share plus all accrued and unpaid dividends on such shares.

Exchange Offer

On October 26, 2005, we completed an exchange offer in which we allowed each holder of Series A Preferred the opportunity to exchange their shares of Series A Preferred and a release of any claims relating to the issuance of the Series A Preferred for shares of Series B Preferred, which will have rights, preferences and privileges substantially identical to the Series A Preferred, except that upon (a) the accumulation of accrued and unpaid dividends on the outstanding shares of Series B Preferred for two or more six month periods, whether or not consecutive; (b) the failure of the Company to properly redeem the Series B Preferred Stock, or (c) the failure of the Company to comply with any of the other covenants or agreements set forth in the Certificate of Designations for the Series B Preferred Stock, and the continuance of such failure for 30 consecutive days or more after receipt of notice of such failure from the holders of at least 25% of the Series B Preferred then outstanding, then the holders of at least a majority of the then-outstanding shares of Series B Preferred, with the holders of shares of any parity securities upon which like voting rights have been conferred and are exercisable, voting as a single class, will be entitled to elect a majority of the members of the Company's Board of Directors for successive on-year terms until such defect listed above has been cured. All of the holders of the Series A Preferred except for those affiliated with Highland Capital Management exchange their shares in this offer. Accordingly, approximately $318.5 million in the face amount of Series A Preferred shares were exchanged for Series B Preferred shares of the same face amounts and on $90 million in face amount of Series A Preferred shares remain outstanding.

Dividends on Series A and B Preferred Shares

From April 15, 2005 to April 15, 2007, TerreStar Corporation paid cash dividends at a rate of 5.25% per annum on the Series A and B Preferred shares. These cash dividends of approximately $42.9 million were placed in an escrow account and were paid in four semi-annual payments to the holders of Series A and B Preferred. Additional dividend payments after April 15, 2007, will be 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. Currently, we are unable to pay the Series A dividend in common stock due to our ongoing litigation with certain investors. We anticipate paying the Series A dividend in cash and the Series B in common stock until such time that the Series A litigation is resolved and we satisfy the conditions required to pay the Series A dividend in common stock.

If any shares of Series A and B Preferred remain outstanding on April 15, 2010, TerreStar Corporation is required to redeem such shares for an amount equal to the purchase price paid per share plus any accrued but unpaid dividends on such shares.

Common Stock Purchase Warrants

As of December 31, 2007, there were approximately 4.2 million fully vested warrants exercisable for the Company's common stock outstanding.

The following table summarizes the Company's warrant activity as of December 31, 2007.

TerreStar Corporation	**Warrants**	**Weighted-average exercise price per share**
Outstanding at January 1, 2007	5,713,445	$ 7.69
Granted		—
Canceled		—
Exercised	(1,500,045)	$ 3.01
Outstanding at December 31, 2007	4,213,400	$ 9.35

Note 11. Employee Stock Benefit Plans

Stock Options

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment", an amendment of FASB Statements Nos. 123 ("SFAS 123(R)"), applying the modified prospective method. As a result of the Company's decision to adopt using the modified prospective method, prior period results have not been restated. Prior to the adoption of SFAS 123(R), the Company applied the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock-based awards, and accordingly, recognized no compensation costs for its stock option plans other than for instances where APB 25 required variable plan accounting related to performance-based stock options, stock option modifications and restricted stock awards. Under the modified prospective method, SFAS 123(R) applies to new awards and to awards that were outstanding as of December 31, 2005 that are subsequently vested, modified, repurchased or cancelled. Compensation expense recognized during 2006 includes the portion vesting during the period for (1) all share-based payments granted prior to, but not yet vested, as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123 and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). Such estimates are made using the Black-Scholes option pricing model. Included in continuing operations for the year ended December 31, 2006 is the impact of revising the requisite service period related to stock compensation awards previously-granted to TerreStar Networks employees, certain Company executives and the Company's former directors. This revised estimate was a shortening of the service period from previous estimates to September 25, 2006, the closing date of the TerreStar Networks and MSV ownership exchanges. In accordance with the stock compensation awards, that transaction qualified as an event which triggered automatic acceleration of all the outstanding unvested awards.

Similarly, included in discontinued operations for the year ended December 31, 2006 is the impact of shortening the requisite service period related to stock compensation awards previously-granted to certain Company employees due to the automatic acceleration which occurred upon the closing of the sale of our terrestrial wireless business on September 14, 2006.

Summary

Through 2007, TerreStar Corporation and TerreStar Networks offered stock options and other long term equity based incentive awards under their respective equity plans to their employees, directors and other service providers. During 2006, TerreStar Corporation adopted the 2006 TerreStar Corporation Equity Incentive Plan (the "2006 Plan") which replaced the 2002 TerreStar Corporation Plan (the "2002 Plan"). During 2007, the TerreStar Corporation and TerreStar Networks respective Board of Directors and Compensation Committees decided to cease issuing options and other awards under the TerreStar Networks 2002 Stock Incentive Plan (the "2002 TerreStar Networks Plan") and exchange certain outstanding options under the 2002 TerreStar Networks Plan for options to purchase common stock of TerreStar Corporation under the 2006 Plan. As of December 31, 2007, we now offer stock options and other long-term incentive awards under the following two plans to eligible persons:

- the 2006 Plan; and
- the TerreStar Global Ltd. 2007 Share Incentive Plan (the "Global Plan").

Our equity-based compensation expense is including in the following areas in the consolidated statement of operations for the periods indicated (in thousands) for the awards outstanding under the 2002 TerreStar Networks Plan, the 2006 Plan, the 2002 Plan, the Global Plan, and warrants issued to purchase TerreStar Global common shares:

	Year ended December 31, 2007					
	Options Under 2002 and 2006 Plans	**2002 TerreStar Networks Plan**	**Global Plan**	**TerreStar Global Warrants**	**Restricted Stock**	**Consolidated**
General and administrative	$ 21,914	$ 460	$ 160	$ 155	$ 1,125	$ 23,814
Research and development	1,297	—	—	—	—	$ 1,297
Discontinued operations	—	—	—	—	—	$ —
Total stock-based compensation	$ 23,211	$ 460	$ 160	$ 155	$ 1,125	$ 25,111

	Year ended December 31, 2006					
	Options Under 2002 and 2006 Plans	**2002 TerreStar Networks Plan**	**Global Plan**	**TerreStar Global Warrants**	**Restricted Stock**	**Consolidated**
General and administrative	$ 2,441	$ 26,886	$ —	$ —	$ 6,429	$ 35,756
Research and development	—	—	—	—	—	$ —
Discontinued operations	4,862	—	—	—	—	$ 4,862
Total stock-based compensation	$ 7,303	$ 26,886	$ —	$ —	$ 6,429	$ 40,618

	Year ended December 31, 2005					
	Options Under 2002 and 2006 Plans	**2002 TerreStar Networks Plan**	**Global Plan**	**TerreStar Global Warrants**	**Restricted Stock**	**Consolidated**
General and administrative	$ 7,191	$ —	$ —	$ —	$ 4,746	$ 11,937
Research and development	—	—	—	—	—	$ —
Discontinued operations	509	—	—	—	—	$ 509
Total stock-based compensation	$ 7,700	$ —	$ —	$ —	$ 4,746	$ 12,446

For the year ended December 31, 2007, the total unrecognized stock compensation expense was approximately $15.0 million.

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 four years and are settled in shares of TerreStar Corporation common stock after the vesting period.

The following table summarizes our restricted stock activity as of December 31, 2007.

TerreStar Corporation	**Restricted Shares**	**Weighted-average grant date fair value**
Nonvested at January 1, 2007	187,000	$ 12.79
Granted	—	—
Canceled	(20,000)	13.35
Vested	(98,000)	12.28
Nonvested at December 31, 2007	69,000	$ 13.35

TerreStar Networks 2002 Stock Incentive Plan

In July 2002, the TerreStar Networks' shareholders approved the 2002 TerreStar Networks Plan (as amended) with 7,707,458 authorized shares of common stock, of which options to purchase 213,763 and 6,569,254 shares of TerreStar Networks' common stock were outstanding at December 31, 2007 and 2006, respectively. All of the outstanding options under the 2002 TerreStar Networks Plan have vested. Pursuant to the terms of the adoption of the 2006 Plan (discussed above) no additional options will be issued pursuant to the 2002 TerreStar Networks Plan, and the plan will terminate upon the exercise or termination of the outstanding options.

The fair value of each option award was estimated on the grant date using the Black-Scholes option pricing model. The risk-free interest rate was based on the daily treasury yield curve rates from the U.S. Treasury, adjusted for continuous compounding. The expected-volatility was estimated using TerreStar Networks and peer company historical volatility and implied volatility. The expected term was estimated using the average of the vesting date and the contractual term of the options.

The following table summarizes the fair values and weighted average assumptions related to the grants under the 2002 TerreStar Networks Plan.

	2006
Weighted average grant date fair value	$ 7.00
Weighted average assumptions:	
Risk-free interest rate	4.62%
Expected volatility	62%
Expected dividend yield	—
Expected term (years)	2.5

The following tables summarize our stock option activity for the 2002 TerreStar Networks Plan:

	Options to acquire shares	**Weighted-average exercise price per share**	**Aggregate Intrinsic Value (in thousands)**
Outstanding at January 1, 2007	6,569,254	$ 12.15	—
Granted	—	—	—
Canceled	(3,076,471)	24.87	—
Exercised	(3,279,020)	0.54	$ 98,350
Outstanding at December 31, 2007	213,763	$ 7.38	$ 4,949
Exercisable at December 31, 2007	213,763	$ 7.38	$ 4,949

	Options to acquire shares	**Weighted Average Grant Date Fair Value**
Nonvested at January 1, 2007	216,000	$ 19.28
Granted	—	—
Canceled	(216,000)	19.28
Vested	—	—
Nonvested at December 31, 2007	—	—

The following table provides information about options under the 2002 TerreStar Networks Plan that are outstanding and exercisable as of December 31, 2007:

	Options Outstanding		Options Exercisable
Exercise Prices	As of December 31, 2007	Weighted Average Contractual Life Remaining	As of December 31, 2007
$ 0.21	52,070	7 years	52,070
$ 0.70	100,435	5 years	100,435
$ 24.42	61,258	8 years	61,258
	213,763		213,763

2002 TerreStar Corporation Plan

The 2002 Plan was initially adopted by the Board of Directors in May 2002 with 5,493,024 authorized shares of common stock, of which options to purchase 231,664 shares of the our common stock were outstanding at December 31, 2007.

2004 Restricted Stock Plan

In August 2004, we adopted a restricted stock plan for the issuance of up to 1,000,000 shares of restricted common stock to employees or directors. Upon adoption of the 2006 Plan, this plan was cancelled with respect to all shares, except for those already granted and vested.

2006 TerreStar Corporation Equity Incentive Plan

In April 2006, our shareholders approved the 2006 Plan which was designed to replace both the 2002 Plan and the 2004 Restricted Stock Plan. No additional shares were granted under either the 2002 Plan or the 2004 Restricted Stock Plan. The 2006 Plan initially authorized to issue a total of 10,000,000 (and was later amended in October 2007 to increase to 11,000,000) Incentive Stock Options, Non-Qualified Stock Options, Restricted Shares, Performance Shares and Performance Units. As of December 31, 2007, approximately 1.3 million shares remain available to be issued under the Plan.

Under the 2006 Plan, we granted 35,600 non-qualified options to purchase our common stock to a board member on March 14, 2007. These options vest on March 14, 2008 and expire on March 14, 2017, unless fully exercised or terminated earlier.

Under the 2006 Plan, we granted 3.8 million non-qualified options to purchase our common stock to TerreStar Networks employees on May 1, 2007. One-third of the options vest each year over three years starting January 1, 2008 and expires on January 1, 2017, unless fully exercised or terminated earlier.

On May 23, 2007, we cancelled approximately 2.5 million fully vested non-qualified options to purchase TerreStar Networks common stock in exchange for the issuance of approximately 5.3 million fully vested non-qualified options to purchase our common stock. These options were granted to TerreStar Networks employees on May 23, 2007. These options were fully vested and we recognized $14.7 million of total incremental compensation cost related to this exchange for the year ended December 31, 2007. Fifty percent of the options became exercisable on January 1, 2008 and the remaining fifty percent become exercisable on January 1, 2009. The options expire on May 23, 2017, unless fully exercised earlier.

The fair value of each option award was estimated on the grant date using the Black-Scholes option pricing model. The risk-free interest rate was based on the daily treasury yield curve rates from the U.S. Treasury, adjusted for continuous compounding. The expected-volatility was estimated using TerreStar Corporation and peer company historical volatility and implied volatility. The expected term was estimated using the average of the vesting date and the contractual term of the options.

The following table summarizes the fair values and weighted average assumptions related to the grants under the 2006 Plan.

Grant dates	**March 14, 2007**	**May 1, 2007**	**May 23, 2007**	**2006**
Weighted average grant date fair value	$ 5.09	$ 6.68	$ 6.60	$ 7.32
Weighted average assumptions:				
Risk-free interest rate	4.34%	4.44%	4.68%	4.55%
Expected volatility	60.0%	60.0%	60.0%	84.0%
Expected dividend yield	—	—	—	—
Expected term (years)	5.50	5.83	5.55	4.83
Options granted	35,600	3,842,444	5,260,359	407,500

The following tables summarize our stock option activity for the 2002 TerreStar Corporation Plan and the 2006 Plan.

	Options to acquire shares	**Weighted-average exercise price per share**	**Aggregate Intrinsic Value (in thousands)**
Outstanding at January 1, 2007	646,066	$ 18.48	—
Granted	9,138,403	11.32	—
Canceled	(172,070)	16.08	—
Exercised	(43,488)	9.58	$ 125
Outstanding at December 31, 2007	9,568,911	$ 11.73	$ 1
Exercisable at December 31, 2007	366,497	$ 21.49	$ 1

	Options to acquire shares	**Weighted-Average Grant Date Fair Value**
Nonvested at January 1, 2007	280,000	$ 8.74
Granted	9,138,403	6.63
Canceled	(96,990)	7.99
Vested	(5,379,358)	6.65
Nonvested at December 31, 2007	3,942,055	$ 6.72

The following table provides information about options under the 2002 TerreStar Corporation Plan and the 2006 Plan that are outstanding and exercisable as of December 31, 2007:

	Options Outstanding		Options Exercisable
Exercise Prices	**As of December 31, 2007**	**Weighted Average Contractual Life Remaining**	**As of December 31, 2007**
$ 3.00	214	4 years	214
$ 8.85	35,600	9 years	—
$ 11.30	3,833,788	9 years	—
$ 11.35	5,260,359	9 years	—
$ 11.95	37,500	9 years	37,500
$ 12.50	110,000	9 years	73,333
$ 13.35	45,000	9 years	18,000
$ 17.94	15,000	8 years	6,000
$ 23.15	86,450	8 years	86,450
$ 28.70	145,000	7 years	145,000
	9,568,911		366,497

TerreStar Global Ltd. 2007 Share Incentive Plan

Pursuant to the terms of the TerreStar Global Ltd. 2007 Share Incentive Plan (the "Global Plan"), TerreStar Global may issue up to an aggregate of 3.75 million shares of common stock in the form of options or other equity-based incentive awards to directors, officers, employees and service providers.

On July 9, 2007, TerreStar Global granted 1.1 million non-qualified options under the Global Plan, to purchase its common stock to TerreStar Global employees, directors and service providers. One-half of the options vest each year over two years starting January 1, 2008 and expires on July 8, 2017, unless fully exercised or terminated earlier. As of December 31, 2007, approximately 2.6 million shares remain available to be issued under the Global Plan.

The fair value of each option award was estimated on the grant date using the Black-Scholes option pricing model. The risk-free interest rate was based on the daily treasury yield curve rates from the U.S. Treasury, adjusted for continuous compounding. The expected-volatility was estimated using TerreStar Global and peer company historical volatility and implied volatility. The expected term was estimated using the average of the vesting date and the contractual term of the options.

The following tables summarize the fair values and weighted average assumptions related to options issued under the Global Plan.

Grant date	**July 9, 2007**
Weighted average grant date fair value	$ 0.29
Weighted average assumptions:	
Risk-free interest rate	4.95%
Expected volatility	80.0%
Expected dividend yield	—
Expected term (years)	5.50
Options granted	1,105,000

The following tables summarize our stock option activity under the Global Plan.

	Options to acquire shares	Weighted-average exercise price per share	Aggregate Intrinsic Value
Outstanding at January 1, 2007	—	—	—
Granted	1,105,000	$ 0.42	—
Canceled	—	—	—
Exercised	—	—	—
Outstanding at December 31, 2007	1,105,000	$ 0.42	—
Exercisable at December 31, 2007	—	$ —	—

	Options to acquire shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2007	—	—
Granted	1,105,000	$ 0.29
Canceled	—	—
Exercised	—	—
Vested	—	—
Nonvested at December 31, 2007	1,105,000	$ 0.29

	Options Outstanding		Options Exercisable
Exercise Prices	As of December 31, 2007	Weighted Average Contractual Life Remaining	As of December 31, 2007
$ 0.42	1,105,000	9.5 years	—

Warrants—TerreStar Global

On July 9, 2007, TerreStar Global issued warrants to its 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.

The fair value of each warrant was calculated using a Black-Sholes option pricing model. The risk-free rates were developed using Daily Treasury Yield Curve Rates from the U.S. Treasury, adjusted for continuous compounding. The expected volatility was estimated using TerreStar Global and peer company historical average annual volatility. The July 9, 2007 warrants contain a provision that violates the basic characteristics of "plain vanilla" options. Specifically, with certain limiting, the warrants are freely transferable. As the warrants are likely to remain outstanding for the entirety of their contractual term, the expected term was determined to equal the contractual term for the July 9, 2007 warrants. As the July 9, 2007 warrants are vested upon issuance, it is expected that none of these shares would be forfeited prior to vesting.

The following table summarizes the fair values and weighted average assumptions related to warrants.

TerreStar Global	
Grant date	July 9, 2007
Weighted average grant date fair value	$ 0.28
Weighted average assumptions:	
Risk-free interest rate	5.03%
Expected volatility	80.0%
Expected dividend yield	—
Expected term (years)	5.00
Warrants granted	553,100

The following table summarizes the TerreStar Global warrants that are outstanding and exercisable as of December 31, 2007.

	Warrants Outstanding		**Exercisable**
Exercise Prices	**As of December 31, 2007**	**Weighted Average Contractual Life Remaining**	**As of December 31, 2007**
$ 0.42	553,100	4.5 years	553,100

Note 12. Income Taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainties in Income Taxes, which applies to all tax positions related to income taxes subject to SFAS 109, Accounting for Income Taxes. FIN 48 requires a new evaluation process for all tax positions taken. If the probability for sustaining a tax position is greater than 50%, then the tax position is warranted and the recognition should be at the highest amount which would be expected to be realized upon settlement. The adoption of FIN 48 had no material impact. The Company accrues interest and penalties related to unrecognized tax benefits in its provision for income taxes.

The Company and its subsidiaries filed income tax returns in the U.S. and in various state, local and foreign jurisdictions. Due to the Company's net operating loss carryforward position in the U.S., its tax years from 1999 forward may be adjusted by the Internal Revenue Service even though the general three year statute of limitations has expired for certain years. The Company is subject to various state and local tax statutes of limitation.

The change in unrecognized tax benefits under FIN 48 is shown in the table below (in thousands)

	2007
Increase (decrease) related to positions taken in current period	$ 12,100
Increase (decrease) related to settlement with tax authorities	0
Reductions related to expiration of statue of limitations	0
Unrecognized tax benefits at December 31, 2007	$ 12,100

If the unrecognized tax benefit were to be recognized, there would be an impact on the Company's effective tax rate in that the alternative minimum tax liability would be reduced.

Deferred income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following is a summary of the Company's deferred income taxes for both continuing and discontinued operations.

	Year ended December 31, 2007	2006
	(in thousands)	
Deferred tax assets, net:		
Net operating loss and AMT credit carryforwards	$ 430,134	$ 441,338
Deferred taxes related to temporary differences:		
Share based compensation	21,355	12,177
SkyTerra investment	1,430	1,430
TerreStar capitalized expenses	61,587	17,918
Other	12,471	1,703
Total deferred tax assets	526,977	474,566
Less valuation allowance	(441,369)	(385,467)
Deferred tax assets, net of valuation allowance	85,608	89,099
Deferred tax liabilities:		
Tangible asset basis, lives and depreciation methods	3,385	97
TerreStar—acquisition intangible	82,223	59,789
Investment in MSV Partnership	—	29,213
Total deferred tax liabilities	85,608	89,099
Total net deferred taxes	$ —	$ —

The ultimate realization of deferred tax assets is dependant upon the generation of future taxable income during the periods in which those temporary differences become deductible. A benefit was recorded for the year ended December 31, 2007 due to the fact that the estimated tax expense accrued for in 2006 ultimately proved to be lower when the Company filed their final 2006 Income Tax returns. No benefit for federal income taxes has been recorded for the periods ended December 31, 2006 and 2005, as the net deferred tax asset generated, primarily from temporary differences related to the net operating loss, was offset by a full valuation allowance because it is not considered more likely than not that these benefits will be realized due to the Company's losses since inception. The change in the valuation allowance for 2006 is based on the tax effect of the availability and utilization of the Company's NOL's.

As of December 31, 2007 and 2006, the Company had estimated net operating loss carryforwards ("NOLs") of $1.1 billion and $1.1 billion, respectively. In 2002, due to the debt restructuring and reorganization, and also in 2004 and 2006 the Company has triggered a change of control, which has limited the availability and utilization of the NOLs. The Company's NOL's expire between 2019 and 2026.

The aggregate provisions for income taxes for the periods below differs for both continuing and discontinued operations from the amount computed by applying the federal statutory rate due to the following:

	2007	2006	2005
Statutory Federal income tax rate	35.0%	35.0%	34.0%
State and local taxes, net of Federal tax benefit	—	6.2	6.2
Permanent Differences	(5.4)	—	(3.0)
Valuation Allowance	(29.9)	(41.7)	(37.2)
Other	1.24	—	—
Effective income tax rate	.9%	(.5)%	0.0%

As each year presented had losses from both continuing operations and discontinued operations, neither operation had any income tax provisions except for an amount due under alternative minimum tax for the years ended December 31, 2007 and 2006.

Note 13. Commitments and Contingencies

The Company leases office space, equipment, collocation, cell sites and office furniture under non-cancelable operating and capital leases expiring through 2016.

As of December 31, 2007, TerreStar Corporation had $408.5 million of its Series A and B preferred stock outstanding. If not converted or repaid, the entire preferred stock amount will be due on April 15, 2010. On April 15, 2007, TerreStar Corporation paid the remaining portion of the dividends that were required to be placed in escrow. Additional dividend payments after April 15, 2007, will be 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. Currently, we are unable to pay the Series A dividend in common stock due to our ongoing litigation with certain investors. We anticipate paying the Series A dividend in cash and the Series B in common stock until such time that the Series A litigation is resolved and we satisfy the conditions required to pay the Series A dividend in common stock.

Additionally, the Company had the following contractual commitments as of December 31, 2007.

	TOTAL	< 1 yr	1-3 yrs	3-5 yrs	5+ yrs
			(in thousands)		
TerreStar Networks Satellites	$ 186,596	$ 172,412	$ 14,184	$ —	$ —
Operating Leases	20,864	7,683	9,131	3,666	384
Network and Capital Equipment and Services	545,709	160,476	207,887	177,346	—
	$ 753,169	$ 340,571	$ 231,202	$ 181,012	$ 384

Note 14. Fair Value of Financial Instruments

The carrying amount for cash and cash equivalents, for debt issues that are not quoted on an exchange, interest rates currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair values.

	As of December 31, 2007		As of December 31, 2006	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Restricted Investments	$ 5,462	$ 5,462	$ 54,551	$ 54,551
Investment in MSV	—	—	184,665	217,211
Investment in SkyTerra	325,308	301,467	254,490	293,510
Debt:				
Senior Secured Notes and accrued interest, thereon	$ —	$ —	$ 202,267	$ 202,267
TerreStar Notes and accrued interest, thereon	567,955	567,955	—	—
Preferred Stock:				
Series A Cumulative Convertible Preferred Stock	$ 90,000	$ 90,000	$ 90,000	$ 90,000
Series B Cumulative Convertible Preferred Stock	318,500	318,500	318,500	318,500

Note 15. Employee Benefits

Defined Contribution Plan

On March 7, 2007, the Board of Directors approved termination of the Motient Corporation 401(k) Plan. Concurrently, the Board approved the formation of the TerreStar Networks Inc. 401(k) Savings Plan as a participating employer. The Motient Corporation 401(k) Savings Plan provided for (i) a TerreStar Networks match of employee contributions, in the form of common stock, at a rate of $1 for every $1 of an employee's contribution not to exceed 4% of an employee's eligible compensation, (ii) a discretionary annual employer non-elective contribution, (iii) the option to have plan benefits distributed in the form of installment payments and (iv) the reallocation of forfeitures, if any, to active participants.

The TerreStar Networks 401 (k) Plan provides for: (i) TerreStar Networks match of employee contributions at a rate of $1 for an employee's contribution not to exceed 4% of an employee's eligible compensation and (ii) the option to have plan benefits distributed in the form of installment payments. The TerreStar Network match of employee contributions is 100 % vested to the employee.

TerreStar Networks' matching expense related to continuing operations employees was approximately $700,000 for 2007, $30,000 for 2006, and $40,000 for 2005.

Note 16. Legal Matters

On August 16, 2005, Highland Equity Focus Fund, L.P., Highland Crusader Offshore Partners, L.P., Highland Capital Management Services, Inc., and Highland Capital Management, L.P., affiliates of James Dondero (the "Dondero Affiliates"), a former director of the Company, filed a lawsuit in Dallas County, Texas, (the "Rescission Litigation"), against us challenging the validity of the Series A Preferred Stock on the basis of the confusion regarding the voting rights of the Series A Preferred Stock and seeking rescission of their purchase of shares of Series A Preferred Stock. These entities acquired 90,000 shares of Series A Preferred Stock for a purchase price of $90.0 million in the April 2005 private placement. Later, the Dondero Affiliates amended their suit to assert other grounds for rescission and damages. On November 30, 2007, the court granted TerreStar Corporation's motion for summary judgment and dismissed the suit. The Dondero Affiliates have appealed the dismissal. The Company intends to vigorously contest the Dondero Affiliates' effort to reinstate the Rescission Suit through the appeal process.

Also on August 16, 2005, Highland Legacy Limited—another affiliate of Mr. Dondero—filed suit in the Delaware Court of Chancery against many of the Company's directors and officers as well as certain third parties. This lawsuit was filed as a derivative action, ostensibly on behalf of the Company. This suit was dismissed by the Court of Chancery on March 17, 2006; Highland Legacy did not appeal, and the judgment of dismissal is accordingly final.

On October 7, 2005, the Dondero Affiliates who filed the Rescission Litigation filed suit in the Delaware Court of Chancery to enjoin an exchange offer by virtue of which TerreStar Corporation was to exchange TerreStar Corporation's outstanding Series A Preferred Stock for a new class of Series B Preferred Stock. While this lawsuit remains outstanding, the exchange offer was completed and the Highland plaintiffs never set their request for injunction for hearing; there has been no activity in this case since late 2005.

On October 19, 2005, the Company filed two lawsuits against James D. Dondero, one in the United States District Court for the Northern Division of Texas and one in the District Court of Dallas County, Texas. The petition filed in state court alleges that Mr. Dondero has seriously and repeatedly breached his fiduciary duties as a director in order to advance his own personal interests. In the suit filed in Federal court—in which the Highland affiliates which were members of Mr. Dondero's proxy fight group were also named as defendants—the Company alleges the filing of false and misleading Forms 13D in violation of the federal securities laws. The suit filed in Federal court was dismissed after the United States District Court ruled that the Company's complaint was subject to a heightened pleading standard under the Private Securities Litigation Reform Act; the Company, which disagrees with the ruling, elected not to replead, but rather to appeal the dismissal. The Company's appeal is set for oral argument during the week of March 31, 2008. Thereafter, the state court entered summary judgment dismissing the fiduciary suit on the ground that the United States District Court's dismissal of the federal securities lawsuit had a res judicata effect precluding the continued prosecution of state law breach-of-fiduciary-duty claims. The Company disagrees with the judgment and has appealed; the Company's appeal was argued to a panel of the Dallas Court of Appeals on February 12, 2008, and the parties are awaiting the decision of the Court of Appeals.

On April 24, 2006, Highland Select Equity Fund—another of Mr. Dondero's Highland affiliates—filed suit in the Delaware Court of Chancery against TerreStar Corporation, attempting to compel the production of books and records by TerreStar Corporation pursuant to Section 220 of the Delaware General Corporation Law. In July 2006, after trial, the Court of Chancery entered judgment on behalf of TerreStar Corporation, dismissing the suit and awarding costs to TerreStar Corporation The Plaintiff appealed to the Delaware Supreme Court. After oral argument, a remand to the Court of Chancery for clarification of certain aspects of its opinion, and the Court of Chancery's issuance of a Report in response to the request from the Supreme Court, the judgment of the Court of Chancery was affirmed.

On June 19, 2006, the same four of Mr. Dondero's Highland affiliates who filed the Rescission Litigation filed suit in Texas state court seeking to rescind TerreStar Corporation's agreement with SkyTerra Communications, Inc. to exchange shares of MSV, to enjoin the closing of the associated transaction, and to rescind TerreStar Corporation's consulting agreement with Communications Technology & Advisors ("CTA"). TerreStar Corporation and CTA removed the case to federal court and moved for dismissal. After oral argument on such motions, the United States Magistrate Judge recommended that the United States District Court dismiss the suit. On January 24, 2007, the United States District Court accepted the Magistrate Judge's recommendation and dismissed Highland's suit. Highland has not appealed, and the judgment of dismissal accordingly is now final.

On February 1, 2008, the same four of Mr. Dondero's Highland affiliates who filed the Rescission Litigation filed suit against TerreStar Corporation in the Commercial Division of the Supreme Court of the State of New York. In this most recent suit, the Dondero Affiliates contend that the September 2005 exchange offer by virtue of which TerreStar Corporation exchanged TerreStar Corporation's outstanding Series A Preferred Stock for a new class of Series B Preferred Stock caused the occurrence of a Senior Security Trigger Date, supposedly requiring the Company to issue a Senior Security Notice entitling the Dondero Affiliates to redeem their Series A Preferred Stock. The Company intends to vigorously defend this action.

From time to time, we are involved in legal proceedings in the ordinary course of our business operations. Although there can be no assurance as to the outcome or effect of any legal proceedings to which we are a party, we do not believe, based on currently available information, that the ultimate liabilities, if any, arising from any such legal proceedings not otherwise disclosed would have a material adverse impact on its business, financial condition, results of operations or cash flows.

Note 17. Related Party Transactions

ATC Technologies, LLC—ATC Technologies is a subsidiary of MSV and the Company previously held a 4.4% ownership interest in MSV.

Hughes Network Systems, LLC ("Hughes")—Andrew Africk serves on the Board of Directors of both TerreStar Networks and Hughes.

Capital & Technology Advisors ("CTA")—a consulting and private advisory firm specializing in the technology and telecommunications sectors owned by Jared Abbruzzese, who formerly served on the Board of Directors of TerreStar Networks and TerreStar Global. The agreement expired November 30, 2006 and was not renewed.

For the year ended December 31, 2007, the Company incurred expenses of $1.8 million to related parties. Of that amount, $1.1 million was paid to Hughes for satellite related services and $0.7 million was paid to ATC Technologies for intellectual property related services.

For the year ended December 31, 2006, the Company incurred expenses of $2.8 million to related parties for service-related obligations. Of that amount, $1.3 million is presented within continuing operations and was incurred to MSV for consulting services related to TerreStar Networks. Also in 2006, $1.1 million in cash was paid to CTA. All of the amounts paid to CTA in 2006 are presented within discontinued operations. The Company also incurred expenses of $0.4 million in continuing operations to CTA's founder, Jared Abbruzzese for his service as Chairman of the Board of TerreStar Corporation.

For the year ended December 31, 2005, the Company incurred expenses of $13.1 million to related parties for service-related obligations. Of that amount, $3.6 million is presented within continuing operations and was incurred to MSV for consulting services related to TerreStar Networks. Also in 2005, $1.8 million in cash and $7.7 million in stock-based compensation was incurred to CTA. Of those amounts, $0.9 million is presented within continuing operations, $0.8 million is presented within discontinued operations and the $7.7 million is presented within continuing operations. At December 31, 2005, the Company had accrued $0.7 million related to the services provided by MSV.

CTA had been engaged to act as consultants to TerreStar Corporation. CTA's founder, Jared Abbruzzese, was the former Chairman of the Board of TerreStar Corporation. As consideration for this work, the Company paid to CTA a monthly fee of $0.1 million, which increased from $60,000 per month in November 2005. The engagement ended on November 30, 2006.

On May 29, 2007 and June 15, 2007 TerreStar Networks under its Master Services Agreement ("MSA") with TerreStar Canada loaned TerreStar Canada $0.4 million and $0.35 million. These notes will accrue interest at a rate of 15.15% per annum and both mature on January 1, 2009.

Note 18. Subsequent Events

TerreStar Corporation (formerly Motient Corporation) announced that it has been served with a lawsuit filed on February 1, 2008 by Highland Crusader Offshore Partners, L.P. ("Highland Capital") and three of its affiliates (collectively, the "Highland Plaintiffs") in the New York State Supreme Court in and for the County of New York. The Highland Plaintiffs are the sole remaining holders of Series A Cumulative Convertible Preferred Stock ("Series A Preferred") issued by TerreStar Corporation.

In this lawsuit, the Highland Plaintiffs contend that the Exchange Offer conducted in October 2005, which related to the exchange of outstanding shares of Series A Preferred for newly-issued shares of Series B Cumulative Convertible Preferred Stock, triggered a right of redemption for their Series A Preferred under the provisions of the Certificate of Designations relating to the Series A Preferred and the Highland Plaintiffs have demanded that TerreStar Corporation redeem their 90,000 shares of Series A Preferred in addition to all actual, special or consequential damages. TerreStar Corporation believes this claim is without merit and intends to vigorously defend against this suit.

On February 5, 2008, TerreStar Corporation and TerreStar Networks entered into a Master Investment Agreement (the "EchoStar Investment Agreement"), with EchoStar Corporation ("EchoStar"). In addition, TerreStar Corporation and TerreStar Networks entered into a Master Investment Agreement (the "Harbinger Investment Agreement"), with certain affiliates of Harbinger Capital Partners ("Harbinger").

The EchoStar Investment Agreement provides for, among other things,

- purchase by EchoStar of $50 million of TerreStar Notes,
- purchase by EchoStar of $50 million of TerreStar Networks' newly issued 6.5% Senior Exchangeable PIK Notes due 2014, exchangeable for TerreStar Corporation common stock, at a conversion price of $5.57 per share (the "Exchangeable Notes") and
- a commitment to lend $50 million to TerreStar Networks pursuant to the Credit Agreement described below.

The Harbinger Investment Agreement provides for, among other things, purchase by Harbinger of $50 million of Exchangeable Notes and a commitment to lend $50 million to us pursuant to the Credit Agreement described below.

In connection with the foregoing transactions, certain of our existing investors entered into separate investment agreements ("Shareholder Investment Agreements") to purchase in the aggregate $50 million of the Exchangeable Notes.

On February 5, 2008, EchoStar, TerreStar Corporation and TerreStar Networks also entered into a Spectrum Agreement (the "EchoStar Agreement"), which provides for the lease to TerreStar Corporation of EchoStar's current holdings of 1.4GHz spectrum with an option to acquire the special purpose company through which EchoStar holds these licenses in exchange for the issuance of 30 million shares of common stock of TerreStar Corporation.

On February 5, 2008, we also entered into a Spectrum Contribution Agreement (the "Harbinger Contribution Agreement"), with Harbinger, which provides that, following shareholder approval, Harbinger will assign to TerreStar Corporation its rights to certain 1.4GHz spectrum with an option to purchase these licenses in exchange for the issuance of 1.2 million of TerreStar Corporation's Series E Junior Participating Preferred Stock, par value $0.01 per share, convertible into 30 million shares of TerreStar Corporation common stock (the "Junior Preferred").

As a result of this transaction, the Boards of Directors of both TerreStar Corporation and TerreStar Networks were expanded to eight members and, depending on stock holdings, EchoStar and Harbinger each have the right to nominate up to two members of each board.

The EchoStar Investment Agreement, Harbinger Investment Agreement, Shareholder Investment Agreements, EchoStar Agreement and the Harbinger Contribution Agreement contain representations, warranties, covenants and indemnities by TerreStar Corporation and TerreStar Networks customary for transactions of this nature.

TerreStar Corporation, TerreStar Networks, EchoStar, Harbinger and the certain existing investors entered into a Registration Rights Agreement (the "Registration Rights Agreement"), dated February 5, 2008, containing customary terms and conditions providing for the registration of Common Stock to be issued in these transactions.

Aggregate gross proceeds to TerreStar Networks from these transactions are expected to be $297 million in cash, of which approximately $197 million was made available at closing and the balance of which will be dedicated to funding the TerreStar-2 satellite under the Purchase Money Credit Agreement (defined below).

In addition to shareholder approval, the spectrum transactions are also subject to certain government approvals.

On February 5, 2008, we entered into a $100 million Purchase Money Credit Agreement (the "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.

The indentures governing our Exchangeable Notes and Credit Agreement require certain shareholder approvals by July 23, 2008 or we may be forced to accelerate repayment of these notes.

In connection with the closing of the transaction, we obtained required shareholder consents approving the issuance of Common Stock and Junior Preferred (and the Common Stock issuable upon conversion of such Junior Preferred) issuable in connection with the EchoStar Agreement and Harbinger Contribution Agreement and upon exchange of the Exchangeable Notes and to increase the number of shares of Common Stock authorized under our Certificate of Incorporation from 200 million shares to 240 million shares. Such shareholder approvals are not effective until 20 days after the mailing of an information statement to our shareholders.

Amounts outstanding under the Credit Agreement will bear interest at a rate of 14% per annum. Such interest rate will be increased by 1% from May 1, 2008 until the necessary shareholder approvals are effective if TerreStar Corporation does not mail an information statement in connection with obtaining shareholder approval to the shareholders on or prior to April 30, 2008. This information statement was filed with the SEC on February 29, 2008.

The Credit Agreement contains several restrictive covenants customary for credit facilities of this type, including, but not limited to the following: limitations on incurrence of additional indebtedness, limitation on liens, limitation on asset sales of collateral and limitation on transactions with affiliates. The Credit Agreement also contains certain events of default customary for credit facilities of this type (with customary grace periods, as applicable). If any events of default occur and are not cured within the applicable grace periods or waived, the outstanding loans may be accelerated. The financing will be advanced as required and used to fund the completion of the TerreStar-2 satellite.

February 6, 2008, TerreStar Corporation, MVH and Harbinger Capital Partners Fund I, L.P. entered into a Stock Purchase Agreement pursuant to which TerreStar Corporation sold 14.4 million shares of non-voting common stock of SkyTerra to Harbinger Capital Partners Fund I, L.P. for an aggregate sale price of $76.4 million. TerreStar Corporation received the proceeds on February 28, 2008. Following this transaction, we hold approximately 30.0 million shares of SkyTerra non-voting common stock.

On February 6, 2008, TerreStar Networks received a letter from Loral relating to the contract between TerreStar Networks and Loral for the construction and delivery of the TerreStar-1 satellite. The newly revised delivery date is November 2008.

On February 6, 2008, TerreStar Networks received a letter from Arianespace, the launch provider for TerreStar-1, confirming that it can launch the satellite during the December 2008 — February 2009 launch window.

On February 6, 2008, TerreStar Corporation, Motient Ventures Holding, Inc., a wholly-owned subsidiary of TerreStar Corporation, and Harbinger Capital Partners Fund I, L.P. entered into a Stock Purchase Agreement pursuant to which TerreStar Corporation, through Motient Ventures Holding, sold 14.4 million shares of non-voting common stock of SkyTerra Communications, Inc. to Harbinger Capital Partners Fund I, L.P. for an aggregate sale price of $76.4 million. TerreStar Corporation will receive the proceeds of the sale upon the delivery of a stock certificate representing the shares to Harbinger Capital Partners Fund I, L.P., which is expected to occur on or prior to February 15, 2008. Following this transaction, TerreStar Corporation holds approximately 30 million shares of SkyTerra Communications, Inc. non-voting common stock.

In connection with the foregoing transactions, we also issued one share of our Series C Preferred Stock and Series D Preferred Stock (the “Series C and D Preferred Stock”) to EchoStar and Harbinger, respectively. By virtue of their ownership of shares of the Series C and D Preferred Stock, EchoStar and Harbinger have consent rights for, among other things, certain sales of assets, making any material change in our line of business, amending or permitting the amendment of our certificate of incorporation, by-laws, or our other organizational documents or any of our subsidiaries, certain acquisitions of assets, certain capital expenditures and consolidations and mergers and rights to appoint directors. Each share of Series C and D Preferred Stock has a $1,000 liquidation preference. The Series C and D Preferred Stock rank junior to the Series A Preferred Stock and Series B Preferred Stock, on a parity basis with one another and senior to both our junior preferred and our common shares. The Series C and D Preferred Stock are non-transferable.

On February 14, 2008, the Board of Directors (the "Board") of TerreStar Corporation expanded the size of the Board from five to eight members and appointed Eugene I. Davis, Dean Olmstead and David J. Rayner to fill the newly-created seats. Messrs. Davis, Olmstead and Rayner may be elected to serve on committees of the Board that will be determined at a later date. Messrs. Davis, Olmstead and Rayner were also appointed to the TerreStar Networks Board while David Andonian resigned from this Board.

Note 19. Supplemental Cash Flows Information

Supplemental cash flow information for the years ended December 31, 2007, 2006 and 2005 is presented in the table below.

	2007	2006 As restated - See Note 3	2005
		(in thousands)	
Non-cash investing and financing activities			
Accrued property and equipment	$ 8,554	$ 12,462	$ 59,771
Interest capitalized on satellites and terrestrial network under construction	27,652	336	—
Assets acquired under capital lease	193	—	—
Acquisition of intangible assets funded by issuance of common stock	89,621	57,919	—
Investment in TerreStar Networks intangible assets	—	(48,539)	
Step up of TerreStar Intangible assets	—	—	78,377
Acquisition of SkyTerra shares through exchange of MSV	177,618	290,181	—
Deferred financing fees accrued	916	—	—
Accretion of issuance costs on Series A and Series B Preferred	4,542	4,029	2,409
Interest on TerreStar Notes paid in-kind	37,708	—	—
Stock dividend to Series B Preferred Shareholders	9,953	—	—
Increase (decrease) in dividend liability not paid	193	2,181	5,994
Dividend payable—SkyTerra Investment	—	254,490	
Issuance of common stock	—		370,980
Exercise and expiration of common stock warrants	—	820	10,060
Exercise of stock options	—	—	7,609
Investment in consolidated subsidiary	—	66,376	—
Acquisition of Minority interest funded by issuance of common stock	33,801	13,474	—
Issuance and re-pricing of common stock purchase warrants—continuing operations	—	—	61,070
Supplemental Cash Flows Information			
Interest paid	$ 7,034	$ —	$ —
Income taxes paid	5,713	—	—

Note 20. Discontinued Operations

Terrestrial Wireless Business

In September 2006, various subsidiaries of the Company sold, pursuant to an asset purchase agreement (the "Agreement") with Geologic Solutions, Inc. ("GeoLogic") and Logo Acquisition Corporation, a wholly-owned subsidiary of GeoLogic ("Logo"), to Logo most of the assets relating to the Company's terrestrial DataTac network and its iMotient platform (the "Terrestrial Wireless Business"), and Logo assumed most of the post-closing liabilities relating to the Terrestrial Wireless Business. The assets and liabilities being transferred were limited to those that relate to the current operations of the Company's terrestrial wireless network, and do not include any assets or liabilities related to TerreStar or MSV. Under the Agreement, Logo paid the Company the sum of $1 in cash, plus assumed most of the post-closing liabilities associated with the purchased assets, as well as certain of the costs of the employees that Logo transitioned from the Company. In addition, GeoLogic guaranteed Logo's performance of any indemnification obligations to the Company under the Agreement.

The Company's historical financial statements have been recast to reflect this business as a discontinued operation. Prior to its September 2006 sale, this discontinued business was a nationwide provider of two-way, wireless mobile data services and mobile internet services. Owning and operating a wireless radio data network that provides wireless mobile data service to customers across the United States, it generated revenue primarily from the sale of airtime on its network and from the sale of communications devices to its customers. Its customers used its network and its wireless applications for wireless email messaging and wireless data transmission, enabling businesses, mobile workers and consumers to wirelessly transfer electronic information and messages and to access corporate databases and the Internet.

In addition to selling wireless data services that use its own network, this discontinued operation was also a reseller of airtime on the Cingular and Sprint Nextel wireless networks. These arrangements allowed it to provide integrated wireless data solutions to its customers using a variety of networks.

The following tables depict the financial results and condition of the discontinued operations for the periods ended and as of the dates indicted:

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
		(In thousands)	
Loss from discontinued operations consists of the following:			
Revenues	—	(5,629)	(13,824)
Cost of services and operations	—	15,693	20,549
Cost of equipment sold	—	23	884
Sales and advertising	—	1,352	1,007
General and administrative	—	8,296	6,305
Depreciation and amortization	—	3,792	12,493
Loss on asset disposals	—	530	15,032
Loss on asset impairment	—	2,721	42,867
Loss on sale of liabilities of discontinued operations	—	3,970	—
Restructuring charges	—	—	5,665
Other income	—	(326)	(1,112)
Total loss from discontinued operations	—	30,422	89,866

Note 21. Quarterly and Other Financial Data (unaudited)

The following tables present selected quarterly financial data for 2007 and 2006 (as restated). Because certain of the data set forth in the following tables has been restated from amounts previously reported in our Quarterly Reports on Form 10-Q for the applicable periods, the following tables and the accompanying footnotes reconcile the quarterly information presented with that previously reported.

The restatement adjustments reflected in the following tables correct certain errors that existed in our previously issued financial statements. This restatement is more fully described in Note 3 “Restatement to Previously Issued Financial Statements” to these consolidated financial statements.

	2007			
	First Quarter Restated	Second Quarter Restated	Third Quarter Restated	Fourth Quarter
	(In thousands, except for per share amounts)			
Operating expenses	$ 38,962	$ 50,298	$ 34,557	$ 58,896
Net loss from continuing operations	(67,590)	(56,168)	(54,135)	(61,248)
Net income (loss)	(67,590)	(56,168)	(54,135)	(61,248)
Net loss available to common stockholders	(74,476)	(63,155)	(61,224)	(68,060)
Basic and Diluted loss per common share (1)	$ (1.01)	$ (0.75)	$ (0.71)	$ (0.78)
Basic and Diluted weighted-average common shares outstanding	73,622	84,581	86,128	87,263

	2006			
	First Quarter	Second Quarter	Third Quarter Restated	Fourth Quarter Restated
Operating expenses	$ 11,156	$ 23,344	$ 43,458	$ 28,549
Net loss from continuing operations	(11,156)	(23,344)	(43,458)	(25,254)
Net income (loss) from discontinued operations	(5,371)	(16,379)	(9,600)	928
Net loss	(20,055)	(42,075)	(66,460)	(5,044)
Net loss available to common stockholders	(26,839)	(48,958)	(73,440)	(12,053)
Basic and Diluted loss per common share—continuing operations (1)	$ (0.34)	$ (0.51)	$ (1.00)	$ (0.18)
Basic and Diluted earnings (loss) per common share—discontinued operations (1)	(0.09)	(0.26)	(0.15)	0.01
Total	$ (0.42)	$ (0.77)	$ (1.15)	$ (0.17)
Basic and Diluted weighted-average common shares outstanding	63,161	63,174	63,782	69,688

(1) Loss per share calculations for each of the quarters in 2007 and 2006 are based on the weighted average number of shares outstanding for each of the periods, and the sum of the quarters is not equal to the full year loss per common share amount due to rounding.

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Statement of Operations (in thousands, except per share amounts):

	Three Months Ended September 30, 2006		
	As Reported	Adjustments	Restated
Operating Expenses			
General and administrative	$ 30,605	$ 9,000	$ 39,605
Research and development	2,399	—	2,399
Depreciation and amortization	1,454	—	1,454
Loss on impairment of intangibles	—	—	—
Gain on asset disposal	—	—	—
Total operating expenses	34,458	9,000	43,458
Operating loss from continuing operations	(34,458)	(9,000)	(43,458)
Interest expense	—	—	—
Other expense	—	—	—
Interest and other income	1,441	—	1,441
Equity in losses of MSV	(8,423)	1,283	(7,140)
Minority interests in losses of TerreStar Networks	9,397	—	9,397
Minority interests in losses of TerreStar Global	—	—	—
Gain (Loss) on investments	196,905	(196,905)	—
Decrease in dividend liability	—	—	—
Other than temporary impairment-SkyTerra	—	—	—
Loss from continuing operations before income taxes	164,862	(204,622)	(39,760)
Income tax benefit (expense)	(17,100)	—	(17,100)
Net loss from continuing operations	147,762	(204,622)	(56,860)
Loss from discontinued operations	(9,600)	—	(9,600)
Net income (loss)	138,162	(204,622)	(66,460)
Less:			
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	(5,960)	—	(5,960)
Accretion of issuance costs associated with Series A and Series B	(1,020)	—	(1,020)
Net income (loss) available to Common Stockholders	$ 131,182	$ (204,622)	$ (73,440)
Basic Loss Per Share—Continuing Operations	$ 2.21	$ (3.21)	$ (1.00)
Basic Loss Per Share—Discontinued Operations	$ (0.15)	$ —	$ (0.15)
Basic Loss Per Share	$ 2.06	$ (3.21)	$ (1.15)
Basic Weighted-Average Common Shares Outstanding	63,782	—	63,782

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Balance Sheet (in thousands):

	September 30, 2006		
	As Reported	Adjustments	Restated
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 46,471	$ —	$ 46,471
Cash committed for satellite construction costs	33,709	—	33,709
Restricted cash for Series A and Series B Cumulative convertible preferred stock dividends	21,446	—	21,446
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,197	—	4,197
Deferred issuance costs associated with Senior Secured Notes	—	—	—
Deferred issuance costs associated with TerreStar Notes	—	—	—
Assets held for sale	628	—	628
Other current assets	822	—	822
Total current assets	107,273	—	107,273
Restricted investments	7,505	—	7,505
Property and equipment, net	177,769	—	177,769
Intangible assets, net	138,162	—	138,162
Investment in MSV	185,340	3,326	188,666
Investment in SkyTerra	438,677	(148,496)	290,181
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	11,785	—	11,785
Deferred issuance costs associated with TerreStar Notes	—	—	—
Notes receivable and accrued interest, thereon	—	—	—
Deferred issuance costs associated with Senior Secured PIK Notes	—	—	—
Total assets	$ 1,066,511	$ (145,170)	$ 921,341
LIABILITIES AND STOCKHOLDERS’ EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 36,218	$ —	$ 36,218
Accounts payable to Loral for satellite construction contract	17,671	—	17,671
Accrued income taxes payable	—	—	—
Obligations under capital leases	—	—	—
Deferred rent and other current liabilities	91	—	91
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	12,924	—	12,924
Current liabilities of discontinued operations	3,177	—	3,177
Total current liabilities	70,081	—	70,081
Obligations under capital leases	—	—	—
Deferred rent and other long-term liabilities	108	—	108
SkyTerra investment dividends payable	—	254,490	254,490
TerreStar Notes and accrued interest, thereon	—	—	—
Total liabilities	70,189	254,490	324,679
Commitments and Contingencies			
Minority interest in TerreStar Networks	75,922	—	75,922
Minority interest in TerreStar Global	—	—	—
Series A cumulative convertible preferred stock	90,000	—	90,000
Series B cumulative convertible preferred stock	318,500	—	318,500
STOCKHOLDERS’ EQUITY:			
Common stock	735	—	735
Additional paid-in capital	860,879	(247,331)	613,548
Common stock purchase warrants	73,487	—	73,487
Less: 3,951,202 common shares held in treasury stock	(73,877)	—	(73,877)
Accumulated other comprehensive income	(52,293)	52,293	—
Accumulated deficit	(297,031)	(204,622)	(501,653)
Total stockholders’ equity	511,900	(399,660)	112,240
Total liabilities and stockholders’ equity	$ 1,066,511	$ (145,170)	$ 921,341

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Statement of Operations (in thousands, except per share amounts):

	Three Months Ended March 31, 2007		
	As Reported	Adjustments	Restated
Operating Expenses			
General and administrative	$ 18,306	$ —	$ 18,306
Research and development	11,158	—	11,158
Depreciation and amortization	3,298	—	3,298
Loss on impairment of intangibles	6,200	—	6,200
Gain on asset disposal	—	—	—
Total operating expenses	38,962	—	38,962
Operating loss from continuing operations	(38,962)	—	(38,962)
Interest expense	(19,155)	—	(19,155)
Other expense	—	—	—
Interest and other income	5,360	—	5,360
Equity in losses of MSV	(3,016)	—	(3,016)
Minority interests in losses of TerreStar Networks	7,529	—	7,529
Minority interests in losses of TerreStar Global	368	—	368
Gain (Loss) on investments	(99,575)	99,575	—
Decrease in dividend liability	—	40,473	40,473
Other than temporary impairment-SkyTerra	—	(58,937)	(58,937)
Loss from continuing operations before income taxes	(147,451)	81,111	(66,340)
Income tax benefit (expense)	(1,250)	—	(1,250)
Net loss from continuing operations	(148,701)	81,111	(67,590)
Loss from discontinued operations	—	—	—
Net income (loss)	(148,701)	81,111	(67,590)
Less:			
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	(5,856)	—	(5,856)
Accretion of issuance costs associated with Series A and Series B	(1,030)	—	(1,030)
Net income (loss) available to Common Stockholders	$ (155,587)	$ 81,111	$ (74,476)
Basic Loss Per Share—Continuing Operations	$ (2.11)	$ 1.10	$ (1.01)
Basic Loss Per Share—Discontinued Operations	$ —	$ —	$ —
Basic Loss Per Share	$ (2.11)	$ 1.10	$ (1.01)
Basic Weighted-Average Common Shares Outstanding	73,622	—	73,622

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Balance Sheet (in thousands):

	March 31, 2007		
	As Reported	Adjustments	Restated
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 343,427	$ —	$ 343,427
Cash committed for satellite construction costs	12,682	—	12,682
Restricted cash for Series A and Series B Cumulative convertible preferred stock dividends	10,723	—	10,723
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,305	—	4,305
Deferred issuance costs associated with Senior Secured Notes	2,059	—	2,059
Deferred issuance costs associated with TerreStar Notes	—	—	—
Assets held for sale	367	—	367
Other current assets	3,723	—	3,723
Total current assets	377,286	—	377,286
Restricted investments	5,897	—	5,897
Property and equipment, net	378,621	—	378,621
Intangible assets, net	200,948	—	200,948
Investment in MSV	40,704	1,618	42,322
Investment in SkyTerra	335,039	—	335,039
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	9,612	—	9,612
Deferred issuance costs associated with TerreStar Notes	—	—	—
Notes receivable and accrued interest, thereon	—	—	—
Deferred issuance costs associated with Senior Secured PIK Notes	12,097	—	12,097
Total assets	$ 1,360,204	$ 1,618	$ 1,361,822
LIABILITIES AND STOCKHOLDERS’ EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 15,103	$ —	$ 15,103
Accounts payable to Loral for satellite construction contract	20,758	—	20,758
Accrued income taxes payable	1,339	—	1,339
Obligations under capital leases	—	—	—
Deferred rent and other current liabilities	1,029	—	1,029
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	14,030	—	14,030
Current liabilities of discontinued operations	36	—	36
Total current liabilities	52,295	—	52,295
Obligations under capital leases	—	—	—
Deferred rent and other long-term liabilities	3,060	—	3,060
SkyTerra investment dividends payable	—	214,017	214,017
TerreStar Notes and accrued interest, thereon	509,414	—	509,414
Total liabilities	564,769	214,017	778,786
Commitments and Contingencies			
Minority interest in TerreStar Networks	30,222	—	30,222
Minority interest in TerreStar Global	1,264	—	1,264
Series A cumulative convertible preferred stock	90,000	—	90,000
Series B cumulative convertible preferred stock	318,500	—	318,500
STOCKHOLDERS’ EQUITY:			
Common stock	864	—	864
Additional paid-in capital	985,828	(254,490)	731,338
Common stock purchase warrants	72,908	—	72,908
Less: 3,951,202 common shares held in treasury stock	(73,877)	—	(73,877)
Accumulated other comprehensive income	—	—	—
Accumulated deficit	(630,274)	42,091	(588,183)
Total stockholders’ equity	355,449	(212,399)	143,050
Total liabilities and stockholders’ equity	$ 1,360,204	$ 1,618	$ 1,361,822

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Statement of Operations (in thousands, except per share amounts):

	Three Months Ended June 30, 2007		
	As Reported	Adjustments	Restated
Operating Expenses			
General and administrative	$ 42,212	$ (5,639)	$ 36,573
Research and development	9,907	(1,324)	8,583
Depreciation and amortization	4,643	—	4,643
Loss on impairment of intangibles	499	—	499
Gain on asset disposal	—	—	—
Total operating expenses	57,261	(6,963)	50,298
Operating loss from continuing operations	(57,261)	6,963	(50,298)
Interest expense	(11,905)	—	(11,905)
Other expense	(507)	—	(507)
Interest and other income	2,226	—	2,226
Equity in losses of MSV	(1,594)	—	(1,594)
Minority interests in losses of TerreStar Networks	4,744	—	4,744
Minority interests in losses of TerreStar Global	346	—	346
Gain (Loss) on investments	—	—	—
Decrease in dividend liability	—	—	—
Other than temporary impairment-SkyTerra	—	—	—
Loss from continuing operations before income taxes	(63,951)	6,963	(56,988)
Income tax benefit (expense)	820	—	820
Net loss from continuing operations	(63,131)	6,963	(56,168)
Loss from discontinued operations	—	—	—
Net income (loss)	(63,131)	6,963	(56,168)
Less:			
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	(5,933)	—	(5,933)
Accretion of issuance costs associated with Series A and Series B	(1,054)	—	(1,054)
Net income (loss) available to Common Stockholders	$ (70,118)	$ 6,963	$ (63,155)
Basic Loss Per Share—Continuing Operations	$ (0.83)	$ 0.08	$ (0.75)
Basic Loss Per Share—Discontinued Operations	$ —	$ —	$ —
Basic Loss Per Share	$ (0.83)	$ 0.08	$ (0.75)
Basic Weighted-Average Common Shares Outstanding	84,581	—	84,581

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Balance Sheet (in thousands):

	June 30, 2007		
	As Reported	Adjustments	Restated
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 267,762	$ —	$ 267,762
Cash committed for satellite construction costs	2,748	—	2,748
Restricted cash for Series A and Series B Cumulative convertible preferred stock dividends	—	—	—
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,346	—	4,346
Deferred issuance costs associated with Senior Secured Notes	—	—	—
Deferred issuance costs associated with TerreStar Notes	2,030	—	2,030
Assets held for sale	317	—	317
Other current assets	3,940	—	3,940
Total current assets	281,143	—	281,143
Restricted investments	3,516	—	3,516
Property and equipment, net	441,014	—	441,014
Intangible assets, net	217,353	—	217,353
Investment in MSV	39,157	1,618	40,775
Investment in SkyTerra	347,005	(11,966)	335,039
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	8,517	—	8,517
Deferred issuance costs associated with TerreStar Notes	11,419	—	11,419
Notes receivable and accrued interest, thereon	757	—	757
Deferred issuance costs associated with Senior Secured PIK Notes	—	—	—
Total assets	$ 1,349,881	$ (10,348)	$ 1,339,533
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 20,299	$ —	$ 20,299
Accounts payable to Loral for satellite construction contract	3,125	—	3,125
Accrued income taxes payable	89	—	89
Obligations under capital leases	—	—	—
Deferred rent and other current liabilities	1,044	—	1,044
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	9,240	—	9,240
Current liabilities of discontinued operations	34	—	34
Total current liabilities	33,831	—	33,831
Obligations under capital leases	—	—	—
Deferred rent and other long-term liabilities	2,884	—	2,884
SkyTerra investment dividends payable	—	214,017	214,017
TerreStar Notes and accrued interest, thereon	528,757	—	528,757
Total liabilities	565,472	214,017	779,489
Commitments and Contingencies			
Minority interest in TerreStar Networks	23,890	—	23,890
Minority interest in TerreStar Global	432	—	432
Series A cumulative convertible preferred stock	90,000	—	90,000
Series B cumulative convertible preferred stock	318,500	—	318,500
STOCKHOLDERS' EQUITY:			
Common stock	899	—	899
Additional paid-in capital	1,048,892	(261,453)	787,439
Common stock purchase warrants	64,097	—	64,097
Less: 3,951,202 common shares held in treasury stock	(73,877)	—	(73,877)
Accumulated other comprehensive income	11,968	(11,968)	—
Accumulated deficit	(700,392)	49,056	(651,336)
Total stockholders' equity	351,587	(224,365)	127,222
Total liabilities and stockholders' equity	$ 1,349,881	$ (10,348)	$ 1,339,533

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Statement of Operations (in thousands, except per share amounts):

	Three Months Ended September 30, 2007		
	As Reported	Adjustments	Restated
Operating Expenses			
General and administrative	$ 29,594	$ (1,327)	$ 28,267
Research and development	1,405	—	1,405
Depreciation and amortization	5,018	—	5,018
Loss on impairment of intangibles	—	—	—
Gain on asset disposal	(133)	—	(133)
Total operating expenses	35,884	(1,327)	34,557
Operating loss from continuing operations	(35,884)	1,327	(34,557)
Interest expense	(11,333)	—	(11,333)
Other expense	(518)	—	(518)
Interest and other income	2,893	—	2,893
Equity in losses of MSV	(1,595)	—	(1,595)
Minority interests in losses of TerreStar Networks	4,513	—	4,513
Minority interests in losses of TerreStar Global	375	—	375
Gain (Loss) on investments	(47,863)	47,863	—
Decrease in dividend liability	—	30,574	30,574
Other than temporary impairment-SkyTerra	—	(47,863)	(47,863)
Loss from continuing operations before income taxes	(89,412)	31,901	(57,511)
Income tax benefit (expense)	3,376	—	3,376
Net loss from continuing operations	(86,036)	31,901	(54,135)
Loss from discontinued operations	—	—	—
Net income (loss)	(86,036)	31,901	(54,135)
Less:			
Dividends on Series A and Series B Cumulative Convertible Preferred Stock	(6,011)	—	(6,011)
Accretion of issuance costs associated with Series A and Series B	(1,078)	—	(1,078)
Net income (loss) available to Common Stockholders	$ (93,125)	$ 31,901	$ (61,224)
Basic Loss Per Share—Continuing Operations	$ (1.08)	$ 0.37	$ (0.71)
Basic Loss Per Share—Discontinued Operations	$ —	$ —	$ —
Basic Loss Per Share	$ (1.08)	$ 0.37	$ (0.71)
Basic Weighted-Average Common Shares Outstanding	86,128	—	86,128

The following table presents the effect of the restatement adjustments upon our previously reported quarterly (unaudited) Consolidated Balance Sheet (in thousands):

	September 30, 2007		
	As Reported	Adjustments	Restated
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 197,558	$ —	$ 197,558
Cash committed for satellite construction costs	2,783	—	2,783
Restricted cash for Series A and Series B Cumulative convertible preferred stock dividends	—	—	—
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,388	—	4,388
Deferred issuance costs associated with Senior Secured Notes	—	—	—
Deferred issuance costs associated with TerreStar Notes	2,032	—	2,032
Assets held for sale	—	—	—
Other current assets	18,617	—	18,617
Total current assets	225,378	—	225,378
Restricted investments	3,569	—	3,569
Property and equipment, net	507,068	—	507,068
Intangible assets, net	215,797	—	215,797
Investment in MSV	37,606	1,618	39,224
Investment in SkyTerra	287,176	—	287,176
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	7,397	—	7,397
Deferred issuance costs associated with TerreStar Notes	—	—	—
Notes receivable and accrued interest, thereon	787	—	787
Deferred issuance costs associated with Senior Secured PIK Notes	10,923	—	10,923
Total assets	$ 1,295,701	$ 1,618	$ 1,297,319
LIABILITIES AND STOCKHOLDERS’ EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	$ 27,289	$ —	$ 27,289
Accounts payable to Loral for satellite construction contract	19,791	—	19,791
Accrued income taxes payable	89	—	89
Obligations under capital leases	288	—	288
Deferred rent and other current liabilities	1,060	—	1,060
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	15,252	—	15,252
Current liabilities of discontinued operations	25	—	25
Total current liabilities	63,794	—	63,794
Obligations under capital leases	316	—	316
Deferred rent and other long-term liabilities	2,685	—	2,685
SkyTerra investment dividends payable	—	183,444	183,444
TerreStar Notes and accrued interest, thereon	547,790	—	547,790
Total liabilities	614,585	183,444	798,029
Commitments and Contingencies			
Minority interest in TerreStar Networks	18,610	—	18,610
Minority interest in TerreStar Global	105	—	105
Series A cumulative convertible preferred stock	90,000	—	90,000
Series B cumulative convertible preferred stock	318,500	—	318,500
STOCKHOLDERS’ EQUITY:			
Common stock	903	—	903
Additional paid-in capital	1,056,285	(262,781)	793,504
Common stock purchase warrants	64,097	—	64,097
Less: 3,951,202 common shares held in treasury stock	(73,877)	—	(73,877)
Accumulated other comprehensive income	10	—	10
Accumulated deficit	(793,517)	80,955	(712,562)
Total stockholders’ equity	253,901	(181,826)	72,075
Total liabilities and stockholders’ equity	$ 1,295,701	$ 1,618	$ 1,297,319

Note 22. Schedule II—Valuation and Qualifying Accounts

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2005, 2006 and 2007
(in millions)

Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Deductions**	**Balance at End of Period**
Year Ended December 31, 2005				
Valuation allowance deferred tax assets	$ 174	$ —	$ 20	$ 194
Year Ended December 31, 2006 **(Restated)**				
Valuation allowance deferred tax assets	$ 194	$ —	$ 191	$ 385
Year Ended December 31, 2007				
Valuation allowance deferred tax assets	$ 385	$ —	$ 56	$ 441

EXHIBIT 99.2

TERRESTAR CORPORATION

Index to Consolidated Financial Statements

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, 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.terrestarcorp.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.
- “BCE” refers to BCE Inc., a Canadian 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.
- “MSV” refers to Mobile Satellite Ventures LP.
- “TerreStar Global” refers to TerreStar Global Ltd., an indirect, majority-owned subsidiary of TerreStar Corporation.
- “Port” refers to Port Merger Corp.
- “CCTV” refers to CCTV Wireless I, LLC.

TERRESTAR CORPORATION
Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2008 and 2007
(in thousands, except per share amounts)
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Operating expenses:				
General and administrative (including expenses related to MSV, a related party, of $162, $130, $321and $289 and Hughes, a related party, of $233, $217, $466 and $617 for the three months and six months ended June 30, 2008 and 2007, respectively)	29,955	36,573	61,553	54,879
Research and development	21,706	8,583	51,848	19,741
Depreciation and amortization	5,619	4,643	11,073	7,941
Loss on impairment of intangibles	—	499	—	6,699
Total operating expenses	57,280	50,298	124,474	89,260
Operating loss from operations	(57,280)	(50,298)	(124,474)	(89,260)
Other income (expense):				
Interest expense	(13,013)	(12,408)	(23,372)	(31,563)
Interest income	1,146	2,225	2,278	7,615
Other income (expense)	263	(3)	354	(33)
Equity in losses of MSV	—	(1,594)	—	(4,610)
Realized loss on investment in SkyTerra	—	—	(27,374)	—
Minority interests in losses of TerreStar Networks	2,169	4,744	10,545	12,273
Minority interests in losses of TerreStar Global	—	346	—	714
Decrease in dividend liability	—	—	—	40,473
Other than temporary impairment-SkyTerra	—	—	—	(58,937)
Loss before income taxes	(66,715)	(56,988)	(162,043)	(123,328)
Income tax benefit (expense)	—	820	754	(430)
Net loss from operations	(66,715)	(56,168)	(161,289)	(123,758)
Less:				
Dividends on Series A and Series B cumulative convertible preferred stock	(5,792)	(5,933)	(11,584)	(11,789)
Accretion of issuance costs associated with Series A and Series B	(1,133)	(1,054)	(2,266)	(2,084)
Net loss available to common stockholders	$ (73,640)	$ (63,155)	$ (175,139)	$ (137,631)
Basic & diluted loss per share	$ (0.75)	$ (0.75)	$ (1.88)	$ (1.74)
Basic & diluted weighted-average common shares outstanding	97,676	84,581	93,187	79,323

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

TERRESTAR CORPORATION
Condensed Consolidated Balance Sheets
As of June 30, 2008 and December 31, 2007
(in thousands)

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 221,295	$ 89,134
Cash committed for satellite construction costs	2,849	2,814
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	4,543	4,447
Deferred issuance costs associated with TerreStar Notes	2,032	2,032
Deferred issuance costs associated with TerreStar Exchangeable Notes	483	—
Other current assets	4,408	9,131
Total current assets	235,610	107,558
Restricted investments	2,683	2,648
Property and equipment, net (including amounts to Hughes, a related party, of $52,550 and $51,537 at June 30, 2008 and December 31, 2007, respectively)	649,389	571,151
Intangible assets, net	479,742	212,256
Investment in SkyTerra	—	103,733
Investment in SkyTerra — Restricted	221,575	221,575
Deferred issuance costs associated with Series A and Series B Cumulative convertible preferred stock	3,596	5,958
Deferred issuance costs associated with TerreStar Notes	9,399	10,415
Deferred issuance costs associated with TerreStar Exchangeable Notes	2,223	1,112
Other non-current assets	6,000	6,817
Total assets	$ 1,610,217	$ 1,243,223
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses (including amounts due to MSV, a related party, of $104 and $131 and Hughes, a related party, of $233 and $3,660 at June 30, 2008 and December 31, 2007, respectively)	$ 22,742	$ 42,720
Accounts payable to Loral for satellite construction contract	—	503
Accrued termination costs	6,316	—
Obligations under capital leases	65	59
Deferred rent and other current liabilities	1,315	944
Series A and Series B Cumulative Convertible Preferred Stock dividends payable	7,636	8,368
Current liabilities of discontinued operations	12	17
Total current liabilities	38,086	52,611
Obligations under capital leases	63	97
Deferred rent and other long-term liabilities	4,014	1,758
SkyTerra investment dividends payable	183,444	183,444
TerreStar Notes and accrued interest, thereon (net discount of $3,350)	660,189	567,955
TerreStar Exchangeable Notes and accrued interest, thereon	153,983	—
TerreStar-2 purchase money credit facility and accrued interest, thereon	34,227	—
Total liabilities	1,074,006	805,865
Commitments and Contingencies		
Minority interest in TerreStar Networks	—	12,141
Series A cumulative convertible preferred stock ($0.01 par value, 450,000 shares authorized and 90,000 shares issued and outstanding at June 30, 2008 and December 31, 2007)	90,000	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, 2008 and December 31, 2007)	318,500	318,500

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

TERRESTAR CORPORATION
Condensed Consolidated Balance Sheets
As of June 30, 2008 and December 31, 2007
(in thousands)

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Stockholders' equity:		
Series C preferred stock ($0.01 par value, 1 share authorized and 1 share issued and outstanding at June 30, 2008 and 0 shares authorized at December 31, 2007)	—	—
Series D preferred stock ($0.01 par value, 1 share authorized and 1 share issued and outstanding at June 30, 2008 and 0 shares authorized at December 31, 2007)	—	—
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, 2008 and 0 shares authorized at December 31, 2007)	12	—
Common stock; voting (par value $0.01; 240,000,000 shares authorized, 125,769,590 and 91,378,041 shares issued, 121,818,388 and 87,426,839 shares outstanding at June 30, 2008 and December 31, 2007, respectively)	1,258	914
Additional paid-in capital	1,091,971	806,195
Common stock purchase warrants	64,097	64,097
Less: 3,951,202 common shares held in treasury stock at June 30, 2008 and December 31, 2007	(73,877)	(73,877)
Accumulated other comprehensive income	11	10
Accumulated deficit	(955,761)	(780,622)
Total stockholders' equity	127,711	16,717
Total liabilities and stockholders' equity	$ 1,610,217	$ 1,243,223

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

TERRESTAR CORPORATION
Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2008 and 2007
(in thousands)
Unaudited

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
Cash flows from continuing operating activities:		
Net loss	$ (161,289)	$ (123,758)
Adjustments to reconcile net loss to net cash used in continuing operating activities:		
Depreciation and amortization	11,073	7,941
Write off of financing fees	—	5,708
Equity in losses of MSV	—	4,610
Realized loss on investment in SkyTerra	27,374	—
Minority interests in losses of TerreStar Global	—	(714)
Minority interests in losses of TerreStar Networks	(10,545)	(12,273)
Amortization of deferred financing costs	1,207	761
Stock-based compensation	1,236	19,804
Loss on impairment of intangibles	—	6,699
Restricted stock forfeited	—	(41)
Interest income		
Other than temporary impairment-SkyTerra	—	58,937
Decrease in dividend liability	—	(40,473)
Changes in assets and liabilities:		
Other current assets	4,723	(1,338)
Accounts payable and accrued expenses (including payments to MSV, a related party, of $348 and $243 and Hughes, a related party, of $450 and $217 for the six months ended June 30, 2008 and 2007, respectively)	(13,569)	2,423
Accrued termination costs	6,316	—
Spectrum acquisition costs	(2,827)	—
Other noncurrent assets	817	(757)
Accrued interest	21,988	18,060
Deferred rent and other liabilities	2,627	(320)
Net cash used in continuing operating activities	$ (110,869)	$ (54,731)
Cash flows from continuing investing activities:		
Proceeds from the sale of SkyTerra shares	$ 76,359	$ —
(Purchase) Proceeds of restricted cash and investments	(39)	45,626
Proceeds from assets held for sale	—	50
Accounts payable to Loral for satellite construction contract	(503)	(7,073)
Additions to property and equipment (including payments to Hughes, a related party, of $4,456 and $14,309 for the six months ended June 30, 2008 and 2007, respectively)	(58,320)	(173,034)
Net cash provided by (used in) continuing investing activities	$ 17,497	$ (134,431)
Cash flows from continuing financing activities:		
Proceeds from issuance of TerreStar Notes	$ 46,500	$ 500,000
Proceeds from issuance of TerreStar Exchangeable Notes	149,232	—
Proceeds from TerreStar-2 purchase money credit facility	33,175	—
Proceeds from issuance of equity securities	—	6,686
Repayment of the Senior Secured Notes	—	(200,000)
Payments for capital lease obligations	(28)	—
Dividends paid on Series A and B Cumulative Convertible Preferred Stock	(2,363)	(10,723)
Debt issuance costs and other charges	(947)	(13,354)
Net cash provided by continuing financing activities	$ 225,569	$ 282,609
Net cash provided by continuing operations	$ 132,197	$ 93,447
Net cash used in discontinued operating activities	$ (5)	$ (11)
Net cash provided by (used in) discontinued investing activities	$ (31)	$ 2,661
Net cash provided by (used in) discontinued operations	(36)	2,650
Net increase in cash and cash equivalents	132,161	96,097
Cash and cash equivalents, beginning of period	89,134	171,665
Cash and cash equivalents, end of period	$ 221,295	$ 267,762

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 (formerly Motient Corporation) was incorporated in 1988 under the laws of the State of Delaware. TerreStar Corporation is in the integrated satellite wireless communications business through its ownership of TerreStar Networks, its principal operating entity, and TerreStar Global.

TerreStar Networks, in cooperation with its Canadian partner, 4371585 Communications and Company, Limited Partnership ("4371585 Communications"), formerly TMI Communications and Company, Limited Partnership, plans to launch an innovative wireless communications system to provide mobile coverage throughout the U.S. and Canada using small, lightweight and inexpensive handsets similar to today's mobile devices. This system build out will be based on an integrated satellite and ground-based technology which will provide service in most hard-to-reach areas and will provide a nationwide interoperable, survivable and critical communications infrastructure.

By offering mobile satellite service ("MSS") using frequencies in the 2GHz band, which are part of what is often known as the "S-band", in conjunction with ancillary terrestrial components ("ATC"), we can effectively deploy an integrated satellite and terrestrial wireless communications network. Our network would allow a user to utilize a mobile device that would communicate with a traditional land-based wireless network when in range of that network, but communicate with a satellite when not in range of such a land-based network. We intend to provide multiple communications applications, including voice, data and video services. Through TerreStar Networks, we are in the process of building our first satellite pursuant to a construction contract with Space Systems/Loral, Inc. ("Loral"). We currently expect to launch our TerresStar-1 satellite in June 2009. Once launched, our TerreStar-1 satellite, with an antenna approximately sixty feet across, will be able to communicate with wireless devices currently being developed.

Our ability to offer these services depends on TerreStar Networks' right to receive certain regulatory authorizations allowing it to provide MSS/ATC in the S-band. These authorizations are subject to various regulatory milestones relating to the construction, launch and operational date of the satellite system required to provide this service. We 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. For example, in order to provide ATC in the United States and Canada we must file additional applications separately from our satellite authorizations. In addition, the manufacturers of our ATC user terminals and base stations will need to obtain FCC equipment certifications and similar certifications in Canada.

Previously, we operated a two-way terrestrial wireless data communications service. On September 14, 2006, we sold most of the assets and liabilities relating to that business. Our historical financial statements present this terrestrial wireless business as a discontinued operation. Pursuant to such presentation, our current period continuing operations are reflected as a single operating unit.

As of June 30, 2008, our two wholly-owned subsidiaries are MVH Holdings Inc. and Motient Holdings Inc. These two subsidiaries held approximately 88.4% and 86.5% interest in TerreStar Networks and TerreStar Global, respectively. Additionally, as of June 30, 2008, we held approximately 27.7% non-voting interest in SkyTerra, a mobile satellite communications company. As of June 30, 2008, SkyTerra owned approximately 11.1% of TerreStar Networks common stock. Additionally, we own 100% of Port Merger Corp. and CCTV Wireless I, LLC ("CCTV").

For additional information regarding the business descriptions of the Company's wholly owned subsidiaries, affiliates and investments, please refer to the Company's Annual Report on Form 10-K/A for the year ended December 31, 2007.

Liquidity and Capital Resources

In assessing our liquidity, we monitor and analyze our cash on-hand and our operating and capital expenditure commitments. Our principal liquidity needs are to meet our working capital requirements, operating expenses and capital expenditure obligations. Due to the recent delays by Loral in the completion of our TerreStar-I satellite, we believe that we now have sufficient liquidity to conduct operations into the third quarter of 2009. We will likely face a cash deficit beyond that unless we obtain additional capital. We cannot guarantee that financing sources will be available on favorable terms or at all.

Our principal sources of liquidity consist of our existing cash on hand and our recently secured $100 million TerreStar-2 Purchase Money Credit Facility. As of June 30, 2008, including restricted cash, we had $224.1 million of cash on hand. Additionally, approximately $66.8 million remains available under our TerreStar-2 Purchase Money Credit Facility which provides funding for payments related to the construction of our second satellite TerreStar-2. We expect this funding will be adequate for us to complete the construction of TerreStar-2.

Our short-term liquidity needs are driven by our satellite system construction contracts, the development of terrestrial infrastructure and networks, and the design and development of our handset and chipset. As of June 30, 2008, we have contractual obligations of $201.5 million due within one year, consisting of approximately $118.5 million related to our satellite system, $76.1 million related to our handset, chipset, and terrestrial network, and $6.9 million for operating leases. In addition, we expect to spend between $40 and $50 million to obtain satellite launch insurance prior to the launch of our TerreStar-1 satellite.

In April 2008, TerreStar Networks implemented certain cost reduction measures including a headcount reduction of 79 management and non-management positions across the Company. This reduction will account for savings of approximately 45 percent in base salary expenses. The cost reduction plan is more fully described in Note 10.

We will need to secure significant funding in the future in order to satisfy our contractual obligations and complete the construction, deployment, and rollout of our planned network. We intend to fund our long-term liquidity needs related to operations and ongoing network deployment through the incurrence of indebtedness, equity financings or a combination of these potential sources of liquidity. While we believe that these sources will provide sufficient liquidity for us to meet our future liquidity and capital obligations, our ability to fund these needs will depend on our future performance, which will be subject in part to general economic, financial, regulatory and other factors that are beyond our control, including trends in our industry and technology developments.

Note 2. Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the SEC. Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States 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 our Annual Report on Form 10-K/A for the year ended December 31, 2007.

The condensed consolidated financial statements include the accounts of the Company, its subsidiaries, and TerreStar Canada, a variable interest entity under Financial Accounting Standards Board Financial Interpretation ("FIN") No. 46(R), "*Consolidation of Variable Interest Entities*" - An Interpretation of Accounting Research Bulletin ("ARB") No. 51. As of January 1, 2008, we consolidated the results of TerreStar Canada into our financial statements. All intercompany accounts are eliminated upon consolidation. Investments in which the Company does not have the ability to exercise significant influence are carried at the lower of cost or estimated realizable value. The Company monitors investments for other than temporary declines in value and makes reductions in value when appropriate.

In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments necessary to summarize fairly the Company's financial position, results of operations and cash flows for the interim periods presented. The operating results for the three and six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Reclassifications

Certain reclassifications have been made to the prior period's financial statements and notes thereto to conform to the current period presentation.

Reference is made to the Company's Annual Report on Form 10-K/A, filed with the SEC for the year ended December 31, 2007 for a complete set of financial notes.

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's most significant estimates relating to its continuing operations include the valuation of stock based compensation and long-lived assets.

Restricted Cash and Investments

At June 30, 2008, the Company had $5.5 million of restricted cash and investments held in money market escrow accounts. Included in that amount is approximately $2.8 million that is restricted in accordance with the Company's satellite construction contract. In addition, approximately $2.3 million is restricted in accordance with the Company's asset purchase agreement with Geologic Solutions, Inc. and Logo Acquisition Corporation, and approximately $0.4 million is restricted in accordance with various leases and security deposits. As of August 8, 2008, approximately $2.0 million of the restricted cash has been released.

Property and Equipment

We record property and equipment, ("P&E"), including leasehold improvements at cost. P&E consists of network equipment, lab equipment, office and computer equipment, internal use software, and leasehold improvements. The satellite and terrestrial network assets under construction primarily include materials, labor, equipment and interest related to the construction and development of our satellite and terrestrial network. Assets under construction are not depreciated until placed into service. Repair and maintenance costs are expensed as incurred.

In accordance with Statement of Position 98-1, " *Accounting for Costs of Computer Software Developed or Obtained for Internal use* " ("SOP 98-1"), we capitalize software developed or obtained for internal use during the application development stage. These costs are included in property and equipment and, when the software is placed in service, are depreciated over an estimated useful life of three years. Costs incurred during the preliminary project stage, as well as maintenance and training costs are expensed as incurred.

The cost of P&E is depreciated on a straight-line basis over the estimated economic useful lives as follows:

Long-Lived Assets	Estimated Useful Life
Network, lab and office equipment	5 years
Computers, software and equipment	3 years
Leasehold improvements	Lesser of lease term or estimated useful life
Definite lived intangible assets	15 years
Satellite and Terrestrial Network Assets Under Construction	15 years (to begin at launch)

Intangible Assets

Intangible assets primarily consist of intangible assets related to Federal Communications Commission ("FCC") spectrum frequencies and other intellectual property. Definite lived intangible assets are amortized over an estimated economic useful life of fifteen years. Indefinite lived assets are not amortized.

Valuation of Long-Lived and Intangible Assets

We evaluate whether long-lived and intangible assets have been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For such assets, an impairment exists when its carrying value exceeds the sum of estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of an asset are under consideration, a probability-weighted approach is used for developing estimates of future undiscounted cash flows. If the carrying value of the asset is not recoverable based on these estimated future undiscounted cash flows, the impairment loss is measured as the excess of the asset's carrying value over its fair value, such that the asset's carrying value is adjusted to its estimated fair value.

Investment in SkyTerra

We have accounted for our investment in SkyTerra at cost in accordance with Accounting Principles Board ("APB") 18, " *The Equity Method of Accounting for Investments in Common Stock* ". Although our investment in SkyTerra common stock is non-voting, we determined the fair value of our investment based on the trading sales price of SkyTerra shares as listed on the OTC Bulletin Board ("SKYT"). The Company periodically evaluates this and all other investments for other than temporary impairment.

Income Taxes

On January 1, 2007, the Company adopted Financial Accounting Standard Board ("FASB") Interpretation No. 48, " *Accounting for Uncertainty in Income Taxes* " ("FIN 48").

The Company files consolidated income tax returns in the U.S. federal jurisdiction with its U.S. subsidiaries. The Company, along with its U.S. subsidiaries also files tax returns in various state and local jurisdictions. The Company has no periods under audit by the Internal Revenue Service ("IRS"). The statutes of limitations open for the Company's returns are 2003, 2004, 2005 and 2006. The Company is not aware of any issues for open years that upon examination by a taxing authority are expected to have a material adverse effect on results of operations.

Fair Value of Financial Instruments

The fair value of certain of the Company's financial instruments, including cash and cash equivalents and other accrued expenses approximate cost because of their short maturities. We value our debt instruments at cost. The fair value of investments is determined using quoted market prices for those securities or similar financial instruments.

Stock Based Compensation

The Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R), " *Share Based Payment* " on January 1, 2006. The Company elected the modified prospective transition method provided under SFAS 123(R) and consequently prior period results have not been restated to reflect, and do not include, the impact of SFAS 123(R). Under this transition method, compensation cost associated with stock-based awards recognized beginning in 2006 now includes compensation expense related to the grant date fair value for the remaining unvested portion of stock-based awards granted prior to December 31, 2005 and compensation expense related to stock-based awards granted subsequent to December 31, 2005.

The fair value of options is estimated using the Black-Scholes option-pricing model which considers, among many factors, the expected life of the award and the expected volatility of the Company's stock price.

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 costs of personnel engaged in research and development activities, and the costs of intangible assets that are purchased from others for use in research and development activities that have alternative future uses. Costs that are not clearly related to research and development activities or routine in nature are excluded from research and development costs.

Earnings (Loss) per Common Share

The Company accounts for earnings per share in accordance with SFAS No. 128, " *Earnings Per Share.* " Basic earnings (loss) per common share is calculated by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. This includes the reported net income (loss) plus the loss attributable to preferred stock dividends and accretion. Diluted earnings (loss) per common share adjusts basic earnings (loss) per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity plans computed using the treasury stock method, and the dilutive effects of shares issuable upon the conversion of our convertible preferred stock computed using the if-converted method. Shares issuable under our equity plans were anti-dilutive in 2008 and 2007 because we incurred a net loss from continuing operations.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, " *Fair Value Measurements* ." SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 was initially effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

In February 2008, the FASB issued FASB Staff Position ("FSP") No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurements under Statement 13." FSP 157-1 amends SFAS 157, " *Fair Value Measurements* ," to exclude FASB Statement No. 13, " *Accounting for Leases* " and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement No. 13.

In February, 2008, the FASB issued FSP 157-2, "Effective Date of FASB Statement No. 157". FSP 157-2 provides a one-year deferral of the effective date of Statement 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in financial statements at fair value at least annually. For non-financial assets and non-financial liabilities subject to the deferral, SFAS 157 will be effective in fiscal years beginning after November 15, 2008 and in interim periods within those fiscal years.

In February 2007, the FASB issued SFAS No. 159, " *The Fair Value Option for Financial Assets and Financial Liabilities* —including an amendment of FASB Statement No. 115." SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Furthermore, SFAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective for fiscal years beginning after November 15, 2007. At the effective date, an entity may elect the fair value option for eligible items that exist at that date. The effect of the re-measurement is reported as a cumulative-effect adjustment to opening retained earnings. The Company believes that SFAS 159 will not have a material impact on our financial statements.

In December 2007, the FASB issued SFAS No. 160, " *Non-controlling Interests in Consolidated Financial Statements* —An Amendment of ARB No. 51". SFAS No. 160 requires the recognition of a non-controlling interest (minority interest) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the non-controlling interest will be included in consolidated net income on the face of the income statement. SFAS No. 160 clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. SFAS No. 160 also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is prohibited. The potential impact, if any, of the adoption of SFAS No. 160 on our consolidated financial statements is currently not determined.

In December 2007, the FASB issued Statement No. 141 (revised 2007), " *Business Combinations* " (SFAS No. 141R). SFAS No. 141R establishes principles and requirements for how an acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets required, the liabilities assumed, and any non-controlling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141R will be applied prospectively to business combinations that have an acquisition date on or after January 1, 2009. The impact of SFAS No. 141R on the Company's consolidated financial statements will depend on the nature and size of acquisitions, if any, subsequent to the effective date.

In March 2008, the FASB issued Statement No. 161, " *Disclosures about Derivative Instruments and Hedging Activities* ". This Statement establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. SFAS No. 161 amends and expands the disclosure requirements of Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities". This Statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This Statement shall be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This statement is not expected to have an impact on the Company's consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, " *Determination of the Useful Life of Intangible Assets* ," to revise the factors that an entity should consider to develop renewal or extension assumptions used in determining the useful life of a recognized intangible asset. The FSP amends FASB Statement 142, Goodwill and Other Intangible Assets, to require an entity developing assumptions about renewal or extension to consider its own historical experience in renewing or extending similar arrangements. The purpose of the FSP is to improve consistency between the period of expected cash flows used to measure the fair value of a recognized intangible asset and the useful life of the intangible asset as determined under Statement 142. FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (January 1, 2009 for a calendar-year entity) and for interim periods within those fiscal years. Early adoption is not permitted. Entities should apply the FSP's guidance on determining the useful life of an intangible asset prospectively to recognized intangible assets acquired after the FSP's effective date. However, once effective, the FSP's disclosure requirements apply prospectively to all recognized intangible assets, including those acquired before the FSP's effective date. The Company has not determined the impact of the adoption of this statement on its consolidated financial statements.

In June 2008, the FASB issued FSP Emerging Issues Task Force (“ EITF”) 03-6-1, “ *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ,” to clarify that all outstanding unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities. An entity must include participating securities in its calculation of basic and diluted earnings per share (EPS) pursuant to the two-class method, as described in FASB Statement 128, Earnings per Share. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (January 1, 2009 for a calendar-year entity) and for interim periods within those fiscal years. Upon adoption, an entity is required to retrospectively adjust its prior-period EPS data, including any amounts related to interim periods, summaries of earnings, and selected financial data. Early application of the FSP is not permitted). FSP EITF 03-6-1 will be effective in fiscal years beginning after December 15, 2008 (January 1, 2009 for a calendar-year entity) and in interim periods within those fiscal years. The Company has not determined the impact of the adoption of this statement on its consolidated financial statements.

In June 2008, a consensus opinion was reached on EITF Issue 08-3, “ *Accounting by Lessees for Maintenance Deposits* .” The objective of EITF Issue 08-3 is to clarify how a lessee should account for a nonrefundable maintenance deposit made under an agreement accounted for as a lease. EITF Issue 08-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and for interim periods within those fiscal years. Early application is not permitted. Entities should recognize the effect of the change for all arrangements that exist at the effective date as a change in accounting principle as of the beginning of the fiscal year the consensus is initially applied. The cumulative effect of the change in accounting principle should be recognized in the opening balance of retained earnings for that fiscal year. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008 (January 1, 2009 for a calendar-year entity) and in interim periods within those fiscal years. The Company has not determined the impact of the adoption of this statement on its consolidated financial statements.

Note 3. Property and Equipment

The components of property and equipment as of June 30, 2008 and December 31, 2007 are presented in the table below.

	June 30, 2008	December 31, 2007
	(in thousands)	
Assets Under Construction		
Satellite construction in progress	$ 588,650	$ 526,140
Terrestrial Network under Construction	44,133	28,866
	632,783	555,006
Assets In Service		
Network equipment	2,419	2,385
Lab equipment	9,762	7,905
Office equipment	6,296	5,525
Leasehold Improvements	2,963	2,963
	21,440	18,778
Less accumulated depreciation	(4,834)	(2,633)
Property and equipment, net	$ 649,389	$ 571,151

The Company capitalized $14.8 million and $28.7 million of interest expense related to assets under construction for the three and six months ended June 30, 2008, respectively.

Depreciation expense was $1.1 million and $2.2 million for the three and six months ended June 30, 2008 and $0.5 million and $0.8 million for the three and six months ended June 30, 2007.

Note 4. Intangible Assets

On February 5, 2008, we entered into a spectrum agreement with EchoStar Corporation ("EchoStar Spectrum Agreement") which provided for the option to acquire Port Corp., a wholly owned subsidiary of EchoStar which held certain 1.4 GHz spectrum licenses in exchange for the issuance of 30 million shares of our common stock. On June 9, 2008, we entered into an agreement with EchoStar to acquire Port Corp. We established a subsidiary, Port Merger Corp., to be the surviving company. As a result of the acquisition, TerreStar owns 100% of Port Merger Corp. which holds the 1.4 GHz licenses we acquired from EchoStar. Simultaneously with the acquisition, of Port Corp., we issued 30 million shares of our common stock to EchoStar.

Additionally on February 5, 2008, we entered into an agreement with certain affiliates of Harbinger Capital Partners ("Harbinger"), which provided for the effective purchase of CCTV Wireless I, LLC, the holder of certain 1.4GHz licenses and related intellectual property, in exchange for the issuance of 1.2 million shares of our Series E junior participating preferred stock, convertible into 30 million shares of our common stock. On June 9, 2008, we consummated the Harbinger Spectrum Agreement.

We accounted for the costs of the 1.4 GHz licenses acquired from EchoStar and Harbinger based on the fair value of our common stock as of the measurement date, June 9, 2008 in accordance with Emerging Issue Task Force No. 96-18, *"Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services."* Our Series E preferred stock does not currently trade on the public market; therefore, we measured the costs of the 1.4 GHZ licenses acquired from Harbinger based on the fair value of the underlying common shares. Of the fees paid the Company allocated $2.9 million in association with the acquisition of the 1.4 GHz spectrum licenses.

Intangible assets as of June 30, 2008 and December 31, 2007 are presented in the table below.

	June 30, 2008	December 31, 2007
	(in thousands)	
Indefinite lived intangibles		
1.4 GHz spectrum licenses	$ 268,697	$ —
Definite lived intangibles		
2 GHz spectrum licenses	208,831	202,324
Intellectual property	36,852	35,704
	245,683	238,028
Less accumulated amortization	(34,638)	(25,772)
Intangible assets, net	$ 479,742	$ 212,256

Amortization expense was $4.5 million and $8.9 million for the three and six months ended June 30, 2008 and $4.1 million and $7.1 million for the three and six months ended June 30, 2007. The Company does not amortize its 1.4 GHz spectrum licenses.

Note 5. Investments

We use the cost method to account for our investment in SkyTerra in accordance with Accounting Principles Board Opinion No. 18.

As of June 30, 2008, our SkyTerra investment totaled $222 million which represent 25.5 million SkyTerra shares we plan to distribute as a dividend to our common shareholders and 4.4 million shares we are holding for Series A or B Preferred shareholders who may convert to common stock in the future. Correspondingly, we recognized a dividend liability of $183.4 million related to the shares we plan to dividend to our common shareholders. Our non-voting ownership interest in SkyTerra was 27.7 % as of June 30, 2008.

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses from continuing operations consist of the following:

	June 30, 2008	December 31, 2007
	(In thousands)	
Accounts payable	$ 4,709	$ 18,320
Accrued development expenses	14,528	13,613
Accrued consulting expenses	1,293	5,078
Accrued compensation and benefits	755	2,519
Accrued legal expenses	966	2,122
Accrued operating and other expenses	491	1,068
	$ 22,742	$ 42,720

Note 7. Long-Term Debt

TerreStar Notes

On February 14, 2007, TerreStar Networks issued $500 million aggregate principal amount of Senior Secured PIK Notes due 2014 (the “TerreStar Notes”) pursuant to an Indenture (the “Indenture”), among TerreStar Networks, as issuer, the guarantors from time to time party thereto (the “Guarantors”) and U.S. Bank National Association, as trustee.

On February 5, 2008, TerreStar Corporation and TerreStar Networks entered into a Master Investment Agreement (the “EchoStar Investment Agreement”), with EchoStar Corporation (“EchoStar”). The EchoStar Investment Agreement provided for, among other things, the purchase by EchoStar of $50 million of TerreStar Notes in accordance with the First Supplemental Indenture dated February 7, 2008.

The additional $50 million TerreStar Notes were issued at an Issue Price of 93%, resulting in a discount on debt of $3.5 million. The debt discount is being accreted using the effective interest method over the six year term of the notes. For the three and six months ended June 30, 2008, the Company accreted $90,000 and $150,000, respectively, of debt discount related to the TerreStar Notes. No accretion was recognized in 2007.

The TerreStar Notes bear interest from the Date of Issuance at a rate of 15% per annum. If certain milestones are not met, additional interest of up to 1.5% per annum will accrue on the TerreStar Notes. Until and including February 15, 2011, interest on the TerreStar Notes will be 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.

The TerreStar Notes are secured by a first priority security interest in the assets of TerreStar Networks, subject to certain exceptions, pursuant to a U.S. Security Agreement (the “Security Agreement”), dated as of February 14, 2007, among TerreStar Networks, as issuer, and any entities that may become Guarantors (as defined in the Indenture) in the future under the Indenture in favor of U.S. Bank National Association, as collateral agent. The assets of TerreStar Networks that collateralize the TerreStar Notes amount to $882.7 million as of June 30, 2008, consisting primarily of satellites under construction, property and equipment and cash and cash equivalents.

On February 15, 2008, $40.5 million of interest was converted into additional TerreStar Notes in accordance with the Indenture agreement. As of June 30, 2008 and December 31, 2007, the carrying value of the TerreStar Notes, net of discount including accrued interest, was $660.2 million and $568.0 million, respectively.

The TerreStar Notes are carried at cost on the condensed consolidated balance sheets. The aggregate fair market value of the TerreStar Notes as of June 30, 2008 and December 31, 2007 is approximately $600.8 million and $599.2 million, respectively.

TerreStar Exchangeable Notes

The EchoStar Investment Agreement also provided for the purchase by EchoStar of $50 million of TerreStar Networks' newly issued 6.5% Senior Exchangeable PIK Notes due 2014, exchangeable for TerreStar Corporation common stock, at a conversion price of $5.57 per share (the "TerreStar Exchangeable Notes"). In addition, on February 5, 2008, TerreStar Corporation and TerreStar Networks entered into a Master Investment Agreement (the "Harbinger Investment Agreement"), with certain affiliates of Harbinger Capital Partners ("Harbinger"). The Harbinger Investment Agreement provided for, among other things, purchase by Harbinger of $50 million of TerreStar Exchangeable Notes. In connection with the foregoing transactions, certain of our existing investors entered into separate investment agreements ("Shareholder Investment Agreements") to purchase in the aggregate $50 million of the TerreStar Exchangeable Notes.

On February 7, 2008, TerreStar Networks issued $150 million aggregate principal amount of TerreStar Exchangeable Notes due 2014 pursuant to an Indenture (the "Indenture"), among TerreStar Networks, TerreStar Corporation and certain subsidiaries, as issuer, the guarantors from time to time party thereto (the "Guarantors") and U.S. Bank National Association, as trustee.

The TerreStar Exchangeable Notes bear interest from February 7, 2008 at a rate of $6^{1}/_{2}$% per annum, payable quarterly. Until and including June 15, 2011, interest on the TerreStar Exchangeable Notes will be payable in additional TerreStar Exchangeable Notes quarterly, starting March 15, 2008. Thereafter, interest on the TerreStar Exchangeable Notes will be payable in cash quarterly, starting June 15, 2011. The TerreStar Exchangeable Notes are scheduled to mature on June 15, 2014.

The TerreStar Exchangeable Notes would 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.

On March 15 and June 15, 2008, $1.0 million and $2.5 million, respectively, of interest was converted into additional TerreStar Exchangeable Notes in accordance with the Indenture agreement. As of June 30, 2008, the carrying value of the TerreStar Exchangeable Notes was $154 million including accrued interest.

The Company analyzed the conversion feature of the TerreStar Exchangeable Notes using the guidance of EITF No. 00-19 —"*Accounting For Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* " and determined that the TerreStar Exchangeable Notes are non-conventional. The conversion option was further analyzed, and the Company determined that all of the criteria of EITF 00-19 were met and consequently, the conversion option, relative to the corresponding notes, was accounted for as an embedded equity derivative.

The TerreStar Exchangeable Notes are carried at cost on the condensed consolidated balance sheets which approximates fair market value.

TerreStar-2 Purchase Money Credit Facility

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

Amounts outstanding under the TerreStar-2 Purchase Money Credit Facility bear interest at a rate of 14% per annum and mature on February 5, 2010. This interest is P-I-K and accrued to the principal balance of the notes.

The TerreStar-2 Purchase Money Credit Facility contains several restrictive covenants customary for credit facilities of this type, including, but not limited to the following: limitations on incurrence of additional indebtedness, limitation on liens, limitation on asset sales of collateral and limitation on transactions with affiliates. The TerreStar-2 Purchase Money Credit Facility also contains certain events of default customary for credit facilities of this type (with customary grace periods, as applicable). If any events of default occur and are not cured within the applicable grace periods or waived, the outstanding loans may be accelerated. The financing will be advanced as required and used to fund the completion of the TerreStar-2 satellite.

Draw down of the TerreStar-2 Purchase Money Credit Facility occurred on March 25 and April 24, 2008 for $13.4 million and $19.8 million, respectively, related to payments to Loral for TerreStar-2 for our satellite under construction. The Company incurs interest on the draw down balance at a rate of 14%. As of June 30, 2008, the carrying value of the TerreStar-2 Purchase Money Credit Facility including accrued interest was $34.2 million. The TerreStar-2 Purchase Money Credit Facility is carried at cost on the condensed consolidated balance sheets, which approximates fair market value.

Deferred Issuance Costs

The Company incurred total fees of $5.8 million in association with the TerreStar Exchangeable Notes, the TerreStar Notes, the TerreStar-2 Purchase Money Credit Agreement and EchoStar Spectrum Agreement and Harbinger Spectrum Agreements for the 1.4 GHz spectrum as of June 30, 2008. The fees of $5.8 million were evenly allocated between deferred issuance costs which are being amortized and the 1.4 GHz spectrum licenses which are not being amortized.

The Company paid fees of $14.2 million in association with the TerreStar Notes and $2.9 million in association with the TerreStar Notes, TerreStar Exchangeable Notes and TerreStar-2 Purchase Money Credit Facility, respectively, as of June 30, 2008. The fees are being amortized over the life of the notes. Amortization of approximately $0.6 million and $1.2 million was recorded for the three and six months ended June 30, 2008. Amortization of approximately $0.5 million and $0.8 million was recorded for the three and six months ended June 30, 2007.

Leases

As of June 30, 2008, the Company has non-cancelable leases for office space, co-location sites, calibration earth stations, towers and furniture and equipment under operating leases expiring through 2027.

Rent expense, net of sublease income, totaled approximately $5.2 million, $7.4 million, $0.7 million and $1.1 million for the three and six months ended June 30, 2008 and 2007, respectively. Approximately $3.3 million that is included in the three and six months ended June 30, 2008 is related to the lease exit costs as discussed in Note 10. Rent expense is recognized on a straight-line basis over the term of the lease agreement.

Note 8. Stockholders’ Equity

Common Stock

On June 9, 2008 we issued approximately 30 million shares of our common stock pursuant to the closing of the EchoStar Spectrum Purchase Agreement.

During 2008, we exchanged approximately 1.7 million shares of our common stock for approximately 0.9 million shares of TerreStar Networks common stock and 0.3 million shares of TerreStar Global common stock with minority shareholders. Accordingly, our ownership interests in TerreStar Networks and TerreStar Global is approximately 88.4% and 86.5%, respectively, on a non-diluted basis as of June 30, 2008. In addition, the exchanges resulted in an allocation of approximately $0.3 million and $7.7 million to intangible assets for the three and six months ended June 30, 2008.

Preferred Stock

We account for Series A and Series B Cumulative Redeemable Convertible Preferred Stock under Accounting Series Release 268 “ *Redeemable Preferred Stocks* .” As of June 30, 2008, we had 5.0 million authorized shares of preferred stock, consisting of 0.45 million Series A shares, 0.5 million Series B shares, 1 Series C share, 1 Series D share, 1.9 million Series E shares and approximately 2.1 million shares undesignated.

Series A and B Cumulative Convertible Preferred Stock

The rights, preferences and privileges of the Series A Preferred are contained in Certificates of Designations of the Series A and Series B Cumulative convertible preferred stock which are more fully described in our Annual Report on Form 10-K/A for the year ended December 31, 2007.

Dividends on Series A and B Preferred Shares

From April 15, 2005 to April 15, 2007, TerreStar Corporation paid cash dividends at a rate of 5.25% per annum on the Series A and Series B Preferred shares. These cash dividends of approximately $42.9 million were placed in an escrow account and were paid in four semi-annual payments to the holders of Series A and B Preferred. Additional dividend payments after April 15, 2007, 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. Currently, we are unable to pay the Series A dividend in common stock due to our ongoing litigation with certain investors. We anticipate paying the Series A dividend in cash and the Series B in common stock until such time that the Series A litigation is resolved and we satisfy the conditions required to pay the Series A dividend in common stock.

If any shares of Series A and B Preferred remain outstanding on April 15, 2010, TerreStar Corporation is required to redeem such shares for an amount equal to the purchase price paid per share plus any accrued but unpaid dividends on such shares.

Series C and D Preferred Stock

On February 7, 2008, we issued one share of non-voting Series C preferred stock ("Series C preferred") to Echostar and one share of non-voting Series D preferred stock ("Series D preferred") to Harbinger at $0.01, par value. These shares are exempt from the registration requirements of the Securities Act of 1933.

The rights, preferences and privileges of the Series C and Series D preferred are contained in Certificates of Designations of the Series C and D preferred stock. The following is a summary of these rights, preferences and privileges:

- The Series C and Series D holders are not entitled to or permitted to vote on any matter required or permitted to be voted upon by the stockholders of the Corporation.
- The Series C and Series D Preferred are not convertible into any other class of capital stock of the Company.
- Series C and Series D preferred stock rank senior and prior to common stock and each other class or series of equity securities of the Company whether issued or issued in the future with respect to payment of dividends, redemption payments, rights upon liquidation, dissolution or winding up of the affairs of the Company. Additionally, the Series C and Series D rank junior to the Series A and Series B Cumulative Convertible preferred stock.
- In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Company, no distribution shall be made (a) to the holders of any shares of capital stock of the Company ranking junior (with respect to rights upon liquidation, dissolution or winding up) to the Series C and Series D preferred stocks, unless the Series C and Series D Holders shall have received $1,000 per share each, or (b) to the holders of shares of capital stock of the Company ranking on a parity (with respect to rights upon liquidation, dissolution or winding up) with the Series C and Series D preferred stocks, except for distributions made ratably on the Series C and Series D preferred stocks and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.
- By virtue of their ownership of shares of the Series C and Series D preferred stock, EchoStar and Harbinger have consent rights for, among other things, certain sales of assets, making any material change in our line of business, amending or permitting the amendment of our certificate of incorporation, by-laws, or our other organizational documents or any of our subsidiaries, certain acquisitions of assets, certain capital expenditures and consolidations and mergers and rights to appoint directors.

Series E Junior Participating Preferred Stock

Series E Junior Participating preferred stock (the "Junior Preferred Shares") was issued to Harbinger and its affiliates under the Harbinger Spectrum Agreement. Except as otherwise required under Delaware law, the holders of Junior Preferred Shares are not entitled to vote on any matter required or permitted to be voted on by the stockholders. The holders of Junior Preferred Shares are entitled to participate ratably in any dividends paid on the Common Shares. In the event of a liquidation, the holders of Junior Preferred Shares will be entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount in cash equal to $0.0001 per share (subject to adjustment), before any distribution may be made or any assets distributed in respect of the Common Shares. Subject to certain restrictions related to the change of control provisions under the existing indenture and existing preferred stock, each Junior Preferred Share may be converted into 25 Common Shares (subject to adjustment). There is no restriction in the Certificate of Designations governing the Junior Preferred Shares on the repurchases or redemption of shares by the Company while there is any arrearage in the payment of dividends or sinking fund installments.

On June 9, 2008, we issued 1.2 million shares of our Series E Junior Participating preferred stock to Harbinger, convertible into 30 million shares of our common stock for the effective purchase of CCTV Wireless, LLC, the holder of certain 1.4 GHz licenses. The transaction was consummated on June 10, 2008.

Common Stock Purchase Warrants

As of June 30, 2008, there were approximately 4.2 million fully vested warrants exercisable for the Company's common stock outstanding.

The following table summarizes the Company's warrant activity as of June 30, 2008.

TerreStar Corporation	Warrants	Weighted-average exercise price per share
Outstanding at January 1, 2008	4,213,400	$ 9.35
Granted	—	—
Cancelled	—	—
Exercised		
Outstanding at June 30, 2008	4,213,400	$ 9.35

Note 9. Employee Stock Benefit Plans

Stock Options

Effective January 1, 2006, the Company adopted SFAS No. 123 (R), *"Share-Based Payment"*, an amendment of FASB Statements No. 123 ("SFAS 123(R)"), applying the modified prospective method. As a result of the Company's decision to adopt using the modified prospective method, prior period results have not been restated. Prior to the adoption of SFAS 123(R), the Company applied the provisions of APB No. 25, *"Accounting for Stock Issued to Employees"* ("APB 25") in accounting for its stock-based awards, and accordingly, recognized no compensation costs for its stock option plans other than for instances where APB 25 required variable plan accounting related to performance-based stock options, stock option modifications and restricted stock awards. Under the modified prospective method, SFAS 123(R) applies to new awards and to awards that were outstanding as of December 31, 2005 that are subsequently vested, modified, repurchased or cancelled.

Summary

Through 2007, TerreStar Corporation and TerreStar Networks offered stock options and other long term equity based incentive awards under their respective equity plans to their employees, directors and other service providers. During 2006, TerreStar Corporation adopted the 2006 TerreStar Corporation Equity Incentive Plan (the "2006 Plan") which replaced the 2002 TerreStar Corporation Plan (the "2002 Plan"). During 2007, the TerreStar Corporation and TerreStar Networks respective Board of Directors and Compensation Committees decided to cease issuing options and other awards under the TerreStar Networks 2002 Stock Incentive Plan (the "2002 TerreStar Networks Plan") and exchange certain outstanding options under the 2002 TerreStar Networks Plan for options to purchase common stock of TerreStar Corporation under the 2006 Plan. As of June 30, 2008, we now offer stock options and other long-term incentive awards under the following two plans to eligible persons:

- the 2006 Plan; and
- the TerreStar Global Ltd. 2007 Share Incentive Plan (the "Global Plan").

TERRESTAR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Our equity-based compensation expense is included in the following areas in the condensed consolidated statement of operations for the periods indicated for the awards outstanding under the 2002 TerreStar Networks Plan, the 2006 Plan, the 2002 Plan, the Global Plan, and warrants issued to purchase TerreStar Global common shares:

	Three months ended June 30, 2008					
	2006 Plan	2002 TerreStar Networks Plan	Global Plan	Warrants	Restricted Stock	Consolidated
	(in thousands)					
General and administrative	$ —	$ (1,399)	$ 44	$ —	$ 116	$ (1,239)
Research and development	—	—	—	—	—	$ —
Total stock-based compensation	$ —	$ (1,399)	$ 44	$ —	$ 116	$ (1,239)

	Six months ended June 30, 2008					
	2006 Plan	2002 TerreStar Networks Plan	Global Plan	Warrants	Restricted Stock	Consolidated
	(in thousands)					
General and administrative	$ 285	$ 653	$ 84	$ —	$ 174	$ 1,196
Research and development	—	39	—	—	—	$ 39
Total stock-based compensation	$ 285	$ 692	$ 84	$ —	$ 174	$ 1,235

	Three months ended June 30, 2007					
	2006 Plan	2002 TerreStar Networks Plan	Global Plan	Warrants	Restricted Stock	Consolidated
	(in thousands)					
General and administrative	$ 2,262	$ 15,279	$ —	$ —	$ 167	$ 17,708
Research and development	1,219	—	—	—	—	$ 1,219
Total stock-based compensation	$ 3,481	$ 15,279	$ —	$ —	$ 167	$ 18,927

	Six months ended June 30, 2007					
	2006 Plan	2002 TerreStar Networks Plan	Global Plan	Warrants	Restricted Stock	Consolidated
	(in thousands)					
General and administrative	$ 2,659	$ 15,595	$ —	$ —	$ 332	$ 18,586
Research and development	1,219	—	—	—	—	$ 1,219
Total stock-based compensation	$ 3,878	$ 15,595	$ —	$ —	$ 332	$ 19,805

As of June 30, 2008, the total unrecognized stock compensation expense was approximately $9.3 million.

Restricted Stock Awards

On May 8 and June 27, 2008, the Company issued approximately 0.1 million and 0.6 million shares of restricted stock awards to its employees and certain executives, respectively, of TerreStar Networks under the 2006 Equity Incentive Plan. Fifty percent of the shares vest ninety days following the successful launch and in orbit test check-in of TerreStar-1 satellite and the remaining fifty percent vest upon the first anniversary of the initial vesting date. The fair value of restricted stock awards is based on the stock price at the date of grant. Restricted stock awards are settled in shares of the Company's common stock after the vesting period.

The following table summarizes our restricted stock activity as of June 30, 2008.

TerreStar Corporation	Restricted Shares	Weighted-average grant date fair value
Non-vested at January 1, 2008	69,000	$ 13.35
Granted	767,110	4.26
Cancelled	—	—
Vested	(13,800)	13.35
Non-vested at June 30, 2008	822,310	$ 4.87

TerreStar Networks 2002 Stock Incentive Plan

In July 2002, the TerreStar Networks' shareholders approved the 2002 TerreStar Networks Plan (as amended) with 7,707,458 authorized shares of common stock, of which options to purchase 213,763 and 4,260,327 shares of TerreStar Networks' common stock were outstanding at June 30, 2008 and December 31, 2007, respectively. All of the outstanding options under the 2002 TerreStar Networks Plan have vested. Pursuant to the terms of the adoption of the 2006 Plan (discussed above) no additional options will be issued pursuant to the 2002 TerreStar Networks Plan, and the plan will terminate upon the exercise or termination of the outstanding options.

The following tables summarize our stock option activity for the 2002 TerreStar Networks Plan:

	Options to acquire shares	Weighted-average exercise price per share	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2008	213,763	$ 7.38	—
Granted	—	—	—
Cancelled	—	—	—
Exercised	—	—	—
Outstanding at June 30, 2008	213,763	$ 7.38	$ 4,949
Exercisable at June 30, 2008	213,763	$ 7.38	$ 4,949

	Options Outstanding		Options Exercisable
Exercise Prices	As of June 30, 2008	Weighted Average Contractual Life Remaining	As of June 30, 2008
$ 0.21	52,070	7 years	52,070
$ 0.70	100,435	4 years	100,435
$ 24.42	61,258	7 years	61,258
	213,763		213,763

2002 TerreStar Corporation Plan

The 2002 Plan was initially adopted by the Board of Directors in May 2002 with 5,493,024 authorized shares of common stock, of which options to purchase 231,664 shares of the our common stock were outstanding at June 30, 2008.

2006 TerreStar Corporation Equity Incentive Plan

In April 2006, our shareholders approved the 2006 Plan which was designed to replace both the “2002 Plan” and the “2004 Restricted Stock Plan.” No additional shares were granted under either the 2002 Plan or the 2004 Restricted Stock Plan. The 2006 Plan initially authorized to issue a total of 10,000,000 (and was later amended in October 2007 to increase to 11,000,000) Incentive Stock Options, Non-Qualified Stock Options, Restricted Shares, Performance Shares and Performance Units. As of June 30, 2008, approximately 1.4 million shares remain available to be issued under the Plan.

Under the 2006 Plan, we granted 35,600 non-qualified options to purchase our common stock to a board member on March 14, 2007. These options vest on March 14, 2008 and expire on March 14, 2017, unless fully exercised or terminated earlier.

Under the 2006 Plan, we granted 3.8 million non-qualified options to purchase our common stock to TerreStar Networks employees on May 1, 2007. One-third of the options vest each year over three years starting January 1, 2008 and expires on January 1, 2017, unless fully exercised or terminated earlier.

On May 23, 2007, we cancelled approximately 2.5 million fully vested non-qualified options to purchase TerreStar Networks common stock in exchange for the issuance of approximately 5.3 million fully vested non-qualified options to purchase our common stock. These options were granted to TerreStar Networks employees on May 23, 2007. These options were fully vested and we recognized $14.7 million of total incremental compensation cost related to this exchange for the year ended December 31, 2007. Fifty percent of the options became exercisable on January 1, 2008 and the remaining fifty percent become exercisable on January 1, 2009. The options expire on May 23, 2017, unless fully exercised earlier.

Under the 2006 Plan, we granted 112,500 non-qualified options to purchase our common stock to a former board member on February 12, 2008. These options vested immediately on February 12, 2008 and expire on December 31, 2009, unless fully exercised earlier.

In April 2008, TerreStar Networks implemented certain cost reduction measures which resulted in a headcount reduction of 79 management and non-management positions across the Company. As a result we updated our forfeiture rate from 8.6% to 38.6%.

On April 16, 2008, the Company announced the departure of three executives. As part of their severance arrangement, the Company accelerated the vesting date of approximately .9 million and 1.2 million options which were initially granted on May 1 and May 23, 2007, respectively, and extended the exercise period of these options by 12 months. Additionally, we granted an additional 145,175 fully vested options to one of the executives.

The fair value of each option and modified award was estimated on the grant date using the Black-Scholes option pricing model. The risk-free interest rate was based on the daily treasury yield curve rates from the U.S. Treasury, adjusted for continuous compounding. The expected-volatility was estimated using TerreStar Corporation and peer company historical volatility and implied volatility. The expected term was estimated using the average of the vesting date and the contractual term of the options.

On June 25, 2008, under the 2006 Plan, we granted 75,000 shares to certain directors as partial compensation for their service on the board of directors. The $1.25 fair value of the award was estimated based on the grant date using the Black-Scholes option pricing model. The risk-free interest rate of 3.48% was based on the daily treasury yield curve rates from the U.S. Treasury, adjusted for continuous compounding. The expected-volatility of 57% was estimated using TerreStar Corporation and peer company historical volatility and implied volatility. The expected term representing 6 years was estimated using the average of the vesting date and the contractual term of the options.

The following table summarizes the fair values and weighted average assumptions related to the grants under the 2006 Plan.

Grant dates	February 12, 2008	April 16, 2008	June 25, 2008
Weighted average grant date fair value	$ 1.78	$0.33 - $0.56	$ 1.25
Weighted average assumptions:			
Risk-free interest rate	1.92%	1.64 - 1.96%	3.48%
Expected volatility	65.0%	65% - 70%	55.0%
Expected dividend yield	—	—	—
Expected term (years)	1.89	1.25 - 2.0	6.0
Options granted and/or modified	112,500	2,248,875	75,000

The following tables summarize our stock option activity for the TerreStar Corporation 2002 and 2006 Plan.

	Options to acquire shares	Weighted-average exercise price per share	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2008	9,568,911	$ 11.73	—
Granted	332,675	9.33	—
Cancelled	(1,190,438)	11.31	—
Exercised	—	—	—
Outstanding at June 30, 2008	8,711,148	$ 11.69	$ —
Exercisable at June 30, 2008	4,998,770	$ 11.93	$ —

	Options to acquire shares	Weighted-Average Grant Date Fair Value
Non-vested at January 1, 2008	3,942,055	$ 6.72
Granted	332,675	5.07
Cancelled	(900,351)	6.68
Vested	(2,143,105)	6.44
Non-vested at June 30, 2008	1,231,274	$ 6.79

	Options Outstanding		Options Exercisable
Exercise Prices	As of June 30, 2008	Weighted Average Contractual Life Remaining	As of June 30, 2008
$ 3.00	214	4 years	214
$ 5.00	112,500	2 years	112,500
$ 8.85	35,600	9 years	35,600
$ 11.30	3,086,675	6 years	1,963,401
$ 11.35	4,962,209	7 years	2,481,105
$ 11.95	37,500	8 years	37,500
$ 12.03	75,000	10 years	—
$ 12.50	110,000	8 years	110,000
$ 13.35	45,000	8 years	18,000
$ 17.94	15,000	8 years	9,000
$ 23.15	86,450	7 years	86,450
$ 28.70	145,000	7 years	145,000
	8,711,148		4,998,770

TerreStar Global Ltd. 2007 Share Incentive Plan

Pursuant to the terms of the TerreStar Global Ltd. 2007 Share Incentive Plan (the “Global Plan”), TerreStar Global may issue up to an aggregate of 3.75 million shares of common stock in the form of options or other equity-based incentive awards to directors, officers, employees and service providers.

On July 9, 2007, TerreStar Global granted 1.1 million non-qualified options under the Global Plan, to purchase its common stock to TerreStar Global employees, directors and service providers. One-half of the options vest each year over two years starting January 1, 2008 and expires on July 8, 2017, unless fully exercised or terminated earlier. As of June 30, 2008, approximately 2.6 million shares remain available to be issued under the Global Plan.

The fair value of each option award was estimated on the grant date using the Black-Scholes option pricing model. The risk-free interest rate was based on the daily treasury yield curve rates from the U.S. Treasury, adjusted for continuous compounding. The expected-volatility was estimated using TerreStar Global and peer company historical volatility and implied volatility. The expected term was estimated using the average of the vesting date and the contractual term of the options.

As disclosed in our Form 8-K filed April 18, 2008, the Company announced the departure of four executives. As part of their severance arrangement, the Company accelerated the vesting date of approximately 0.3 million options which were initially granted on July 9, 2007. Additionally, the exercise period for one of these executive’s options was extended by 12 months.

The following tables summarize our stock option activity under the Global Plan.

	Options to acquire shares	Weighted-average exercise price per share	Aggregate Intrinsic Value
Outstanding at January 1, 2008	1,105,000	$ 0.42	—
Granted	—	—	—
Cancelled	(10,000)	—	—
Exercised	—	—	—
Outstanding at June 30, 2008	1,095,000	$ 0.42	—
Exercisable at June 30, 2008	710,000	$ 0.42	—

	Options to acquire shares	Weighted-Average Grant Date Fair Value
Non-vested at January 1, 2008	1,105,000	$ 0.29
Granted	—	—
Cancelled	(5,000)	—
Exercised	—	—
Vested	(715,000)	
Non-vested at June 30, 2008	385,000	$ 0.29

	Options Outstanding		Options Exercisable
Exercise Prices	As of June 30, 2008	Weighted Average Contractual Life Remaining	As of June 30, 2008
$ 0.42	1,095,000	4 years	710,000

Warrants—TerreStar Global

On July 9, 2007, TerreStar Global issued warrants to its 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.

The fair value of each warrant was calculated using a Black-Sholes option pricing model. The risk-free rates were developed using Daily Treasury Yield Curve Rates from the U.S. Treasury, adjusted for continuous compounding. The expected volatility was estimated using TerreStar Global and peer company historical average annual volatility. The July 9, 2007 warrants contain a provision that violates the basic characteristics of "plain vanilla" options. Specifically, with certain limiting, the warrants are freely transferable. As the warrants are likely to remain outstanding for the entirety of their contractual term, the expected term was determined to equal the contractual term for the July 9, 2007 warrants. As the July 9, 2007 warrants are vested upon issuance, it is expected that none of these shares would be forfeited prior to vesting.

The following table summarizes the TerreStar Global warrants that are outstanding and exercisable as of June 30, 2008.

	Warrants Outstanding		Warrants Exercisable
Exercise Prices	**As of June 30, 2008**	**Weighted Average Contractual Life Remaining**	**As of June 30, 2008**
$ 0.42	553,100	4 years	553,100

Note 10. Charges Related to Cost Reduction Actions

In April 2008, the Company announced that TerreStar Networks would implement certain cost reduction measures which included costs for employee terminations. Additionally, certain contracts and leases were evaluated under SFAS No. 146, " *Accounting for Costs Associated with Exit or Disposal Activitie* s" for their remaining economic benefit and we have established the *cease-use-* date, and recorded the liability accordingly. This in conjunction with the Company's ongoing efforts to operate within its currently available capital and focus near term on launching its satellite and developing its handset.

We accounted for these costs in accordance with SFAS No. 112, " *Emplo yers' Accounting for Postemployment Benefits—an Amendment of FASB Statements No. 5 and 43* " and SFAS No. 146, " *Accounting for Costs Associated with Exit or Disposal Activities* ." Employee termination benefits costs were accounted for under SFAS No. 112. The Company included employee severance, health insurance, and other related payroll benefit costs as employee termination benefit costs. Contract termination costs are accounted for under SFAS No. 146 which includes costs to terminate the contract before the end of its term or costs that will continue to be incurred under the contract for its remaining term without economic benefit to the entity.

The details of these charges are presented in the following table.

	(in thousands)
Beginning Liability, January 1, 2008	$ 2,332
Employee termination benefit costs	6,480
Contract termination costs	8,156
Reduction in deferred rent	(358)
Lease exit costs	3,313
Total incurred expenses	17,591
Cash expenditures through June 30, 2008	(8,707)
Ending Liability, June 30, 2008 (1)	$ 11,216

(1) This total liability is included in current and long term deferred rent of $1.3 million and $3.6 million, respectively, and accrued termination costs of approximately $6.3 million.

These costs are included in General and Administrative expenses for the three months ended June 30, 2008.

Note 11. Income Taxes

On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes"* ("FIN 48"). The Company has fully reserved its deferred income tax balance as of June 30, 2008.

The Company files consolidated income tax returns in the U.S. federal jurisdiction with its U.S. subsidiaries. The Company, along with its U.S. subsidiaries also files tax returns in various state and local jurisdictions. The Company has no periods under audit by the Internal Revenue Service ("IRS"). The statutes of limitations open for the Company's returns are 2003, 2004, 2005 and 2006. The Company is not aware of any issues for open years that upon examination by a taxing authority are expected to have a material adverse effect on results of operations.

Note 12. Commitments and Contingencies

As of June 30, 2008, TerreStar has preferred stock obligations for its Series A and Series B preferred stock. If not converted, the entire Series A and Series B preferred stock amount of $408 million will be due on April 15, 2010. Dividend payments on the Series A and Series B are due semi-annually in April and October, payable in cash (at a 5.25% annual interest rate) or in common stock (at a 6.25% annual interest rate) through April 15, 2010. Additionally, the Company has the following contractual commitments and debt obligations as of June 30, 2008:

	TOTAL	< 1 yr	1-3 yrs	3-5 yrs	5+ yrs
			(in thousands)		
TerreStar Satellites (1,2)	$ 255,281	$ 118,518	$ 75,639	$ 6,218	$ 54,906
Leases	17,409	6,887	7,797	2,418	307
Network Equipment and Services	442,974	76,129	366,845	0	0
Debt Obligations (3)	1,699,343	0	6,354	328,181	1,364,808
Total	$ 2,415,007	$ 201,534	$ 456,635	$ 336,817	$ 1,420,021

(1) *Includes approximately $6.3 million remaining of construction payments and approximately $55.1 million of orbital incentive payments for TerreStar 1 if the satellite operates properly over its expected life. Additionally, includes approximately $42.5 million remaining for construction of TerreStar-2 and approximately $47.8 million of orbital incentives.*

(2) *We expect to pay $40—$50 million for satellite launch insurance, which is not under contract and not included in the table.*

(3) *Debt Obligations are composed of our $550 million TerreStar Notes due 2014, our $150 million TerreStar Exchangeable Notes due 2014, and our current borrowing under our TerreStar-2 Purchase Money Credit Facility due 2014 for our second satellite, including future interest and principal payments.*

Note 13. Legal Matters

Litigation Adverse to Highland Capital Management and James Dondero

The Company has, since August of 2005, been engaged in litigation adverse to Highland Capital Management, L.P. ("Highland Capital"), as well as investment funds managed by Highland Capital and James Dondero, the principal owner of Highland Capital and a former director of the Company (Highland Capital, its investment funds, and Mr. Dondero collectively, the "Dondero Affiliates"). Six of the suits were filed by the Dondero Affiliates against the Company or related parties. Of those six suits, four have been finally resolved in favor of the Company; an additional one was dismissed on the Company's motion and the dismissal is being appealed by the Dondero Affiliates; and one more was recently filed and is the subject of a pending motion to dismiss. In addition, the Company filed two suits against Mr. Dondero and the Dondero Affiliates; both were dismissed on the defendant's motions, and both remain on appeal or in post-appeal proceedings.

The suit filed by the Dondero Affiliates that remains on appeal was filed on August 16, 2005 by Highland Capital, Highland Equity Focus Fund, L.P., Highland Crusader Offshore Partners, L.P., and Highland Capital Management Services, Inc., in a Texas state district court in Dallas County, Texas, (the "Rescission Litigation"). This suit challenged the validity of the Company's Series A preferred stock and sought damages and rescission of the Dondero Plaintiff's $90 million purchase of 90,000 shares of Series A preferred stock. On November 30, 2007, the court granted the Company's motion for summary judgment and dismissed the suit. The Dondero Affiliates have appealed the dismissal. The Company intends to vigorously defend the judgment through the appeal process.

The four suits filed by the Dondero Affiliates that have been finally resolved in favor of the Company include:

A suit filed on August 16, 2005 in the Delaware Court of Chancery by Highland Legacy Limited (“Highland Legacy”) against many of the Company’s directors and officers as well as certain third parties. This lawsuit was filed as a derivative action, ostensibly on behalf of the Company. This suit was dismissed by the Court of Chancery on March 17, 2006; Highland Legacy did not appeal, and the judgment of dismissal is accordingly final.

A suit filed on October 7, 2005 in the Delaware Court of Chancery by the same four Dondero Affiliates that filed the Rescission Litigation. This suit sought to enjoin an exchange offer by virtue of which the Company was to exchange its outstanding Series A preferred stock for a new class of Series B preferred stock. The exchange offer was completed and the Dondero Affiliates never set their request for injunction for hearing. After the Dondero Affiliates left this lawsuit dormant for more than two years, it was recently dismissed by the Court on its own motion.

A suit filed on April 24, 2006 in the Delaware Court of Chancery by Highland Select Equity Fund, L.P. (“Highland Select”) against the Company, attempting to compel the production of books and records pursuant to Section 220 of the Delaware General Corporation Law. In July 2006, after trial, the Court of Chancery entered judgment on behalf of the Company, dismissing the suit and awarding costs to the Company. Highland Select appealed to the Delaware Supreme Court. After oral argument, a remand to the Court of Chancery for clarification of certain aspects of its opinion, and the Court of Chancery’s issuance of a Report in response to the request from the Supreme Court, the judgment of the Court of Chancery was affirmed.

A suit filed on June 19, 2006 in a Texas state district court in Travis County, Texas by the same four Dondero Affiliates that filed the Rescission Litigation. This suit sought rescission of the Company’s agreement with SkyTerra Communications, Inc. to exchange shares of MSV, an injunction against the closing of the associated transaction, and rescission of the Company’s consulting agreement with Communications Technology & Advisors (“CTA”). The Company and CTA removed the case to federal court and moved for dismissal. After oral argument on such motions, the United States Magistrate Judge recommended that the United States District Court dismiss the suit. On January 24, 2007, the United States District Court accepted the Magistrate Judge’s recommendation and dismissed the suit. The Dondero Affiliates have not appealed, and the judgment of dismissal accordingly is now final.

The suit that remains pending was filed on February 1, 2008 in the Commercial Division of the New York Supreme Court by the same four Dondero Affiliates that filed the Rescission Litigation. In this suit, the four plaintiffs contend that certain transactions, including the September 2005 exchange offer by virtue of which the Company exchanged its outstanding shares of Series A preferred stock for a new class of Series B preferred stock, caused the occurrence of a Senior Security Trigger Date, supposedly requiring the Company to issue a Senior Security Notice, entitling the Dondero Affiliates to redeem their Series A preferred stock. The Company has filed a motion to dismiss this action; the motion was argued to the court in June, 2008. If the motion is denied, the Company intends to vigorously defend the suit. In addition, the plaintiffs have sought leave to amend their suit to add additional claims including that subsequent events constituted a “change of control” entitling them to redemption of their stock. The Company has opposed the motions for leave to amend.

On October 19, 2005, the Company filed two lawsuits against Mr. Dondero, one in the United States District Court for the Northern Division of Texas and one in Texas state district court in Dallas County, Texas. The petition filed in state court alleges that Mr. Dondero seriously and repeatedly breached his fiduciary duties as a director in order to advance his own personal interests. In the suit tiled in federal court-in which the Dondero Affiliates that were members of Mr. Dondero’s proxy fight group were also named as defendants-the Company alleges that they filed false and misleading Forms 13D in violation of the federal securities laws. The suit filed in federal court was dismissed after the United States District Court ruled that the Company’s complaint was subject to a heightened pleading standard under the Private Securities Litigation Reform Act; the Company, which disagrees with the ruling, elected not to replead, but rather to appeal the dismissal. After briefing and oral argument, a panel of the United States Court of Appeals for the Fifth Circuit ruled that the Company’s claim for injunctive and other non-monetary relief had been mooted by subsequent events including the Dondero Affiliates’ disposition of virtually all of its common stock, and remanded the case to the United States District Court for vacatur of the judgment. The United States District Court subsequently entered a form of amended judgment; the Company has filed a motion to alter or amend portions of that judgment, and is awaiting a decision on that motion. After the initial dismissal of the suit in the United States District Court, the state court entered summary judgment dismissing the fiduciary suit on the ground that the United States District Court’s dismissal of the federal securities lawsuit had a res judicata effect precluding the continued prosecution of state law breach-of- fiduciary-duty claims.

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 Inc. as a defendant. New ICO Satellite Services, G.P. was also named as a defendant (together with TerreStar Networks Inc., 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 2 GHz 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.

Note 14. Related Party Transactions

ATC Technologies, LLC—ATC Technologies is a subsidiary of MSV which is owned by SkyTerra. The Company holds approximately 30 million non-voting shares of SkyTerra as of June 30, 2008.

Hughes Network Systems, LLC ("Hughes")—Andrew Africk served on the Board of Directors of both TerreStar Networks and Hughes during the period covered by this report. In April 2008, Mr. Africk resigned from the Board.

The Company incurred expenses to related parties of $1.2 million and $5.3 million for the three and six months ended June 30, 2008, respectively. Of these amounts, $1.0 million and $4.9 million refers to Hughes for satellite related services and $0.2 million and $0.4 million refers to ATC Technologies for intellectual property related services.

The Company incurred expenses to related parties of $21.4 million and $25.2 million for the three and six months ended June 30, 2007, respectively. Of that amount, $21.2 million and $25.0 million refers to Hughes for satellite related services and $0.2 million and $0.2 million refers to MSV for intellectual property related services.

Note 15. Supplemental Cash Flow Information

Supplemental cash flow information for the six months ended June 30, 2008 and 2007 is presented in the table below.

	Six Months Ended June 30, (in thousands)	
	2008	2007
Non-cash investing and financing activities		
Accrued property and equipment	$ 1,502	$ 4,566
Interest capitalized on satellites and terrestrial network under construction	$ 28,684	$ 8,430
Acquisition of intangible assets funded by issuance of common stock	$ 7,654	$ 86,932
Acquisition of SkyTerra shares through exchange of MSV	$ —	$ 139,486
Acquisition of Spectrum by issuance of stock (See Note 8)	$ 265,800	$ —
Deferred financing fees accrued	$ 70	$ 857
Spectrum acquisition costs accrued	$ 70	$ —
Accretion of issuance costs on Series A and Series B Preferred	$ 2,266	$ 2,084
Interest on TerreStar Notes paid in-kind	$ 40,495	$ —
Interest on TerreStar Exchangeable Notes paid in-kind	$ 3,567	$ —
Interest on TerreStar-2 purchase money credit facility Paid In-Kind	$ 1,052	$ —
Stock dividend to Series B Preferred Shareholders	$ 9,953	$ —
Increase in dividend liability not paid	$ 732	$ 1,066
Acquisition of Minority interest funded by issuance of common stock	$ 1,573	$ 33,041
Supplemental Cash Flows Information		
Interest paid	$ —	$ 7,034
Income taxes paid	$ 17	$ 5,686

Note 16. Subsequent Events

On August 1, 2008, TerreStar announced a nationwide reciprocal roaming agreement with AT&T.

EXHIBIT 99.3

UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

The unaudited pro forma condensed financial statements give effect to the acquisition of 30 million common shares of TerreStar Parent and the sale of the company through which we held our 1.4 GHz spectrum to TerreStar Parent, as previously discussed. These statements have been derived in part from the audited financial statements of EchoStar and TerreStar Parent for the year ended December 31, 2007 and from the unaudited financial statements for the six months ended June 30, 2008 for each of EchoStar and TerreStar Parent.

The unaudited pro forma condensed statements of operations for the six months ended June 30, 2008 and for the year ended December 31, 2007 have been prepared as if the transactions described above occurred as of January 1, 2007. The pro forma adjustments are based on available information and assumptions that management believes are reasonable based on our current plans and expectations. The unaudited pro forma condensed financial statements have been prepared for illustrative purposes only and are not necessarily indicative of our future financial position, future results of operations or future cash flows, nor do they reflect what our financial position, results of operations or cash flows would have been had we had increased our investment in TerreStar during the specific periods. The unaudited pro forma condensed financial statements and accompanying notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with the historical consolidated financial statements and accompanying notes of EchoStar and TerreStar Parent included in the respective annual reports on Form 10-K for the fiscal year ended December 31, 2007 as well as the quarterly reports on Form 10-Q for the quarter ended June 30, 2008. The TerreStar Parent annual and quarterly reports are included in this Form 8-K filing.

ECHOSTAR CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)

	For the Year Ended December 31, 2007		
	Historical	**Pro Forma Adjustments**	**Pro Forma Combined**
Revenue:			
Equipment and other sales — DISH Network	$ 1,294,215	$ —	$ 1,294,215
Equipment sales	249,850	—	249,850
Total revenue	1,544,065	—	1,544,065
Costs and Expenses:			
Cost of equipment and other sales	1,451,704	—	1,451,704
Marketing and sales	6,731	—	6,731
Research and development	78,790	—	78,790
General and administrative	83,514	—	83,514
Depreciation and amortization	9,705	—	9,705
Total costs and expenses	1,630,444	—	1,630,444
Operating income (loss)	(86,379)	—	(86,379)
Other Income (Expense):			
Interest income	10,459	—	10,459
Interest expense, net of amounts capitalized	(796)	—	(796)
Unrealized gains (losses) due to changes in the fair value of certain debt and equity investments, net	—	(35,574)(a)	(35,574)
Other	(6,479)	—	(6,479)
Total other income (expense)	3,184	(35,574)	(32,390)
Income (loss) before income taxes	(83,195)	(35,574)	(118,769)
Income tax (provision) benefit, net	(2,105)	—	(2,105)
Net income (loss)	$ (85,300)	$ (35,574)	$ (120,874)
Denominator for basic and diluted net income (loss) per share — Class A and B common stock:			
Denominator for basic and diluted net income (loss) per share — weighted-average common shares outstanding	89,712		89,712
Net income (loss) per share — Class A and B common stock:			
Basic and diluted net income (loss)	$ (0.95)		$ (1.35)

ECHOSTAR CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)

	For the Six Months Ended June 30, 2008		
	Historical	Pro forma Adjustments	Pro Forma Combined
Revenue:			
Equipment sales — DISH Network	$ 672,733	$ —	$ 672,733
Equipment sales — other	151,773	—	151,773
Satellite services, digital broadcast operations and other services — DISH Network	185,489	—	185,489
Satellite and other services — other	27,916	(9,569)(b)	18,347
Total revenue	1,037,911	(9,569)	1,028,342
Costs and Expenses:			
Cost of sales — equipment	699,908	—	699,908
Satellite services, digital broadcast operations and other cost of sales	110,215	—	110,215
Research and development expense	27,565	—	27,565
Selling, general and administrative expenses	51,670	—	51,670
General and administrative expenses — DISH Network	13,296	—	13,296
Depreciation and amortization	123,985	—	123,985
Total costs and expenses	1,026,639	—	1,026,639
Operating income (loss)	11,272	(9,569)	1,703
Other Income (Expense):			
Interest income	40,813	—	40,813
Interest expense	(16,561)	—	(16,561)
Casualty loss expense	(12,799)	—	(12,799)
Unrealized gains (losses) due to changes in the fair value of certain debt and equity investments, net	(19,643)	(30,397)(a)	(50,040)
Other	61,201	—	61,201
Total other income (expense)	53,011	(30,397)	22,614
Income (loss) before income taxes	64,283	(39,966)	24,317
Income tax (provision) benefit, net	(10,758)	3,435(b)	(7,323)
Net income (loss)	$ 53,525	$ (36,531)	$ 16,994
Denominator for basic and diluted net income (loss) per share — Class A and B common stock:			
Denominator for basic net income (loss) per share — weighted-average common shares outstanding	89,795		89,795
Denominator for diluted net income (loss) per share — weighted-average common shares outstanding	91,285		91,285
Net income (loss) per share — Class A and B common stock:			
Basic net income (loss)	$ 0.60		$ 0.19
Diluted net income (loss)	$ 0.59		$ 0.19

ECHOSTAR CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED FINANCIAL DATA

The pro forma adjustments included in the unaudited pro forma condensed financial statements are as follows:

(a) The recognition of unrealized losses of $36 million and $30 million for the year ended December 31, 2007 and the six months ended June 30, 2008, respectively, due to changes in the fair value of our investments in TerreStar Parent assuming that we had adopted the provisions of Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“SFAS 159”) as of January 1, 2007.

While our additional investment in TerreStar Parent occurred on June 10, 2008, the unaudited pro forma condensed statements of operations have been prepared as if the transaction occurred on January 1, 2007. The price of TerreStar Parent’s common stock from January 1, 2007 to June 30, 2008 was highly volatile and dropped significantly during this 18-month period. To reflect the pro forma impact of this decline to the common stock pursuant to SFAS 159, we calculated the unrealized losses due to changes in the fair value of this investment by applying the percentage change in the stock price for each period to our common stock investment balance for each of the periods presented. The pro forma adjustment for the June 30, 2008 Statement of Operations reflects the changes in fair value of our investments in TerreStar from January 1, 2008 through June 10, 2008, as the actual changes in the fair value of our investments are included in our historical results due to the application of fair value accounting to our TerreStar investments.

(b) To remove 1.4GHz spectrum lease revenue and related income tax effect for the period from February 8, 2008 through June 10, 2008.

An unaudited pro forma condensed balance sheet as of the end of the most recent period is not included herein as the transaction is already reflected in our Condensed Consolidated Balance Sheets in our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008, filed with the Securities and Exchange Commission on August 4, 2008.