

SKYTERRA COMMUNICATIONS INC  
Form PRER14A  
January 08, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a (e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-2

**SKYTERRA COMMUNICATIONS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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.. No fee required.

.. Fee computed on table below per Exchange Act Rules 14a (i)(1) and 0 1.

(1) Title of each class of securities to which transaction applies:  
SkyTerra Communications, Inc. Voting Common Stock, par value \$0.01 per share

SkyTerra Communications, Inc. Non Voting Common Stock, par value \$0.01 per share

(2) Aggregate number of securities to which transaction applies:  
(a) 44,962,370 shares of common stock outstanding as of November 18, 2009 proposed to be acquired in the merger for the per share merger consideration of \$5.00, (b) 11,527,870 shares of common stock issuable pursuant to outstanding options as of November 18, 2009 with exercise prices below the per share merger consideration of \$5.00 and (c) 1,198,068 shares of common stock representing phantom units and restricted stock awards entitled to receive the merger consideration of \$5.00.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0 1 (set forth the amount on which the filing fee is calculated and state how it was determined):  
Calculated solely for purposes of determining the filing fee. The transaction value was determined by adding (a) the product of 44,962,370 shares of common stock that are proposed to be acquired in the merger multiplied by the merger consideration of \$5.00 per share, plus (b) \$30,674,053.20, the amount expected to be paid to holders of outstanding stock options to purchase shares of common stock with an exercise price of less than the merger consideration of \$5.00 per share, plus (c) \$5,990,340.00, the amount expected to be paid to holders of phantom units and restricted stock awards entitled to receive the merger consideration of \$5.00 per share.

(4) Proposed maximum aggregate value of transaction: \$261,476,243.20

(5) Total fee paid: \$52,295.25

x Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0 1(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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(4) Date Filed:

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**PRELIMINARY COPY SUBJECT TO COMPLETION DATED JANUARY , 2010**

**SkyTerra Communications, Inc.**

**10802 Parkridge Boulevard**

**Reston, VA 20191**

[ ], 2010

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting (the annual meeting ) of holders of shares of voting common stock, par value \$0.01 per share (the Common Stock ), and non voting common stock, par value \$0.01 per share (the Non Voting Common Stock, and together with the Common Stock, the Capital Stock ) of SkyTerra Communications, Inc. ( SkyTerra ) to be held at 10802 Parkridge Boulevard, Reston, VA 20191, on [ ], at 10:00 a.m., local time.

At the annual meeting, holders of Common Stock will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger (as amended, from time to time, the merger agreement ), dated as of September 23, 2009, by and among Harbinger Capital Partners Master Fund I, Ltd. ( Master Fund ), Harbinger Capital Partners Special Situations Fund, L.P. ( Special Fund and together with Master Fund, Harbinger ), Sol Private Corp. ( Acquisition Corp. and together with Harbinger, the Harbinger Parties ) and SkyTerra, a copy of which is attached as Appendix A to the accompanying proxy statement as amended on November 18, 2009 (the First Amendment ), a copy of which is attached as Appendix B to the accompanying proxy statement. At the annual meeting, you will also be asked to elect directors to the board of directors of SkyTerra, ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of SkyTerra for the year ending December 31, 2009, and to consider and vote upon a proposal to adjourn the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement.

If the merger is completed, each share of Capital Stock outstanding at the effective time of the merger (other than shares owned by Harbinger or its affiliates, any subsidiary of SkyTerra, and holders who have perfected and not withdrawn a demand for appraisal rights, which are collectively referred to in this proxy statement as excluded shares ) will be canceled and converted into the right to receive \$5.00, in cash, without interest, and the directors on SkyTerra s board of directors will be replaced by the directors of Acquisition Corp.

To assist in evaluating the fairness to SkyTerra stockholders of the proposed merger, the SkyTerra board of directors formed a special committee of independent directors to consider and negotiate the terms and conditions of the proposed merger and to make a recommendation to the board of directors, consisting of Jose A. Cecin, Jr., Jeffrey M. Killeen, and William F. Stasior (the special committee ). Messrs. Cecin, Killeen and Stasior are not employees of or affiliated with SkyTerra (other than in their respective capacity as a director) or Harbinger and have no economic interest in Harbinger or its affiliates.

The board of directors, after receiving the recommendation of the special committee, (1) has approved, declared advisable and authorized the merger agreement and the transactions contemplated thereby, including the proposed merger; (2) has determined that the proposed merger and the transactions contemplated thereby are substantively and procedurally fair to and in the best interests of SkyTerra s unaffiliated stockholders (by which we mean, for purposes of this proxy statement, the holders of shares of Capital Stock, other than Harbinger, its affiliates and any subsidiary of SkyTerra); and (3) recommends that SkyTerra s stockholders vote FOR the adoption of the merger agreement. The board of directors also recommend that you vote FOR each of the nominees for election to the board of directors of SkyTerra, and the approval of any proposal to adjourn the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement.

The enclosed proxy statement describes the merger agreement, the proposed merger and related agreements and provides specific information concerning the annual meeting. In addition, you may obtain information about SkyTerra from documents filed with the Securities and Exchange Commission. We urge you to, and you should, read the entire proxy statement carefully, including the appendices, as it sets forth the details of the merger agreement and other important information related to the merger.

The merger cannot occur unless the merger agreement is adopted by the affirmative vote of (i) the holders of a majority of the shares of SkyTerra s outstanding Common Stock entitled to vote at the annual meeting and (ii) the holders of a majority of the shares of SkyTerra s outstanding Common Stock voted at the annual meeting (excluding shares held by the Harbinger Parties, any director or officer of SkyTerra, or any of their respective affiliates and shares considered to be held in escrow). Harbinger and its affiliates are entitled to vote approximately 46% of the outstanding shares of Common Stock.

Whether or not you plan to attend the annual meeting, please submit your proxy by promptly completing, signing, dating and returning the enclosed proxy card in the postage pre paid envelope. This solicitation is being made by SkyTerra on behalf of its board of directors. If you sign, date and return your proxy card without indicating how you want to vote, and do not revoke the proxy, your proxy will be counted as a vote FOR adoption of the merger agreement and any adjournment of the annual meeting if there are not sufficient votes to adopt the merger agreement at the annual meeting. You may revoke your proxy at any time before it is voted by submitting a written revocation of your proxy or a later dated proxy to the Secretary of SkyTerra or by attending the annual meeting and voting in person. The failure to vote will have the same effect as a vote against adoption of the merger agreement. If you have any questions or require assistance voting your shares, please call Investor Relations at SkyTerra at (703) 390 2700.

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On behalf of the board of directors, I thank you for your continued support.

Sincerely,

/s/ Alexander H. Good  
Alexander H. Good  
Chairman, CEO and President

For the Board of Directors of SkyTerra Communications,  
Inc.

Reston, Virginia

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in the proxy statement. Any representation to the contrary is a criminal offense.

The attached proxy statement is dated [ ], 2010, and is first being mailed to stockholders on or about [ ], 2010.

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**SKYTERRA COMMUNICATIONS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON [ ], 2010**

NOTICE IS HEREBY GIVEN THAT the annual meeting of the holders of Capital Stock of SkyTerra Communications, Inc., a Delaware corporation, will be held at [ ] on [ ], 2010, at 10:00 a.m., local time, to consider and vote on the following matters described in this notice and the accompanying proxy statement:

- 1) To adopt the Agreement and Plan of Merger, dated as of September 23, 2009, by and among Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Special Situations Fund, L.P., Sol Private Corp. and SkyTerra Communications, Inc., a copy of which is attached as Appendix A to the accompanying proxy statement, as amended on November 18, 2009, a copy of which is attached as Appendix B to the accompanying proxy statement, and as it may be further amended from time to time;
- 2) To elect six (6) directors to serve on SkyTerra's board of directors, each to hold office until the earliest of SkyTerra's 2010 annual meeting of stockholders, his earlier death, resignation or removal or, if the merger is completed, the effective time of the merger;
- 3) To adjourn the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement proposal;
- 4) To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of SkyTerra for the year ending December 31, 2009; and
- 5) To transact any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Only stockholders of record on the close of business on [ ], 2010, which we refer to as the record date, are entitled to notice of the annual meeting or any adjournment or postponement thereof. Only holders of Common Stock as of the close of business on the record date are entitled to vote at the annual meeting to adopt the merger agreement. A list of stockholders will be available for inspection by stockholders of record during business hours at SkyTerra Communications, Inc., 10802 Parkridge Boulevard, Reston, VA 20191, for ten days prior to the date of the annual meeting and will also be available at the annual meeting. A majority of the shares of Common Stock outstanding on the record date must be voted in favor of the adoption of the merger agreement in order for the merger to be completed. In addition, the holders of a majority of the outstanding shares of SkyTerra's outstanding Common Stock (excluding shares held by the Harbinger Parties, any director or officer of SkyTerra or any of their respective affiliates, and shares considered to be held in escrow) must be present, in person or by proxy, and be voted at the annual meeting and a majority of such shares so present and voted must vote in favor of the adoption of the merger agreement in order for the merger to be completed. For the election of directors, the six nominees receiving the highest number of votes of the shares of Common Stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors will be elected as directors. A majority of the shares of Common Stock represented at the meeting in person or by proxy must be voted in favor of any adjournment of the annual meeting, if necessary, for any purpose, including to solicit additional proxies in favor of the adoption of the merger agreement. Ratification of the appointment of the independent registered public accounting firm requires the affirmative vote of the holders of a majority of the total number of votes of our Common Stock, present in person or represented by proxy. With respect to the ratification of the appointment of the independent registered public accounting firm, under SkyTerra's bylaws and the laws of the State of Delaware, abstentions from voting will have the same effect as voting against such matter and broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote.

The board of directors of SkyTerra, acting upon the recommendation of a special committee of the board of directors, has approved, declared advisable and authorized the merger agreement and the related merger and recommends that you vote FOR adoption of the merger agreement. The board of directors believes that the terms and provisions of the merger agreement and the related merger are substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders. The board of directors also recommends that you vote FOR each of the

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nominees for election to the board of directors of SkyTerra, and the approval of any proposal to adjourn the annual meeting to a later date to solicit additional proxies in favor of the adoption of the merger agreement if there are not sufficient votes to adopt the merger agreement at the annual meeting.

SkyTerra stockholders who do not vote in favor of adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they perfect their appraisal rights by complying with all of the required procedures under Delaware law. See Proposal One The Merger Rights of Appraisal beginning on page 63 of the accompanying proxy statement and Appendix D to the accompanying proxy statement.

We urge you to, and you should, read the entire proxy statement carefully. Whether or not you plan to attend the annual meeting, please submit your proxy by promptly completing, signing, dating and returning the enclosed proxy card in the postage prepaid envelope so that your shares may be represented at the annual meeting. Prior to the vote, you may revoke your proxy in the manner described in the proxy statement.

By Order of the Board of Directors

/s/ Gary M. Epstein  
Executive Vice President Law and Regulation

Reston, Virginia

[ ], 2010

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**SUMMARY TERM SHEET**

This summary highlights the material information contained elsewhere in this proxy statement and the appendices. Because this is a summary, it may not contain all of the information that is important to you. We urge you to, and you should, read the entire proxy statement carefully, including the information included in the appendices.

**The Participants (p. 19)**

**SkyTerra Communications, Inc.**

SkyTerra Communications, Inc.

10802 Parkridge Boulevard

Reston, VA 20191

(703) 390 2700

SkyTerra Communications, Inc., a Delaware corporation, which we refer to as SkyTerra or the Company, delivers mobile wireless voice and data services primarily for public safety, security, fleet management and asset tracking in the U.S. and Canada. The company's next generation integrated satellite-terrestrial communications network is expected to provide seamless, transparent and ubiquitous wireless coverage of the United States and Canada to conventional sized cellular handsets. When completed, the network will support communications in a variety of market segments, including public safety, homeland security, aviation, transportation, entertainment, as well as consumers, by providing a platform for interoperable, user-friendly and feature-rich voice and high-speed data services.

**Harbinger Capital Partners Master Fund I, Ltd.**

Harbinger Capital Partners Master Fund I, Ltd., an exempted company organized under the laws of the Cayman Islands, which we refer to as Master Fund, is a global hedge fund managed by Harbinger Capital Partners LLC.

Harbinger Capital Partners was founded in 2001 and is led by its Co-Founder and Chief Investment Officer, Philip A. Falcone, who has over 20 years of investment experience across an array of market cycles. The Harbinger team is disciplined and value-oriented, focusing on alpha-generating ideas that are uncorrelated to investment cycles. The firm combines a flexible, innovative approach to uncovering opportunity with a thorough investment process. Each investment undergoes rigorous fundamental research, extensive vetting, and seeks an identifiable catalyst for value realization. Harbinger regards risk management as a critical component of the investment process and actively manages risk at three levels: portfolio, position and operations. The firm offers several strategies which emphasize different opportunities, each based on the same time-tested fundamental investment and risk management processes.

The executive offices of Master Fund are located at c/o International Fund Services Limited, Third Floor, Bishop's Square, Redmond's Hill, Dublin 2, Ireland and its telephone number is (212) 521-6972.

**Harbinger Capital Partners Special Situations Fund, L.P.**

Harbinger Capital Partners Special Situations Fund, L.P., a Delaware limited partnership, which we refer to as Special Fund and in connection with Master Fund is referred to as Harbinger in this proxy statement, is a global hedge fund managed by its general partner, Harbinger Capital Partners Special Situations GP, LLC, an affiliate of Harbinger Capital Partners LLC.

The executive offices of Special Fund are located at c/o Harbinger Capital Partners, 450 Park Avenue, 30th Floor, New York, New York 10022 and its telephone number is (212) 339-5100.

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### **Sol Private Corp.**

Sol Private Corp., a Delaware corporation and a wholly owned indirect subsidiary of Harbinger, which we refer to as Acquisition Corp., was formed solely for the purpose of entering into the merger agreement and consummating the merger and has not engaged in any business except in furtherance of the merger.

The executive offices of Acquisition Corp. are located at c/o Harbinger Capital Partners, 450 Park Avenue, 30th Floor, New York, New York 10022 and its telephone number is (212) 339 5100.

### **The Merger Agreement (p. 67)**

Acquisition Corp. will merge with SkyTerra, with SkyTerra continuing as the surviving corporation in the merger. After the merger the surviving corporation will be a privately held company indirectly wholly owned by Harbinger, and SkyTerra stockholders (other than Harbinger and its affiliates) will no longer have any interest in, and will not participate in, any future earnings or growth of SkyTerra.

The proposed merger, assuming it is completed, will result in:

Your right to receive \$5.00 per share in cash for each share of Capital Stock that you own, unless you seek and perfect your appraisal rights, and the cancellation and retirement of each such share (other than the excluded shares);

Cancellation of any Capital Stock owned by Harbinger and its affiliates;

Conversion of each share of common stock of Acquisition Corp. into one share of common stock of the surviving corporation;

Each share of Capital Stock that is owned by any subsidiary of SkyTerra immediately prior to the effective time of the merger will remain outstanding thereafter, with appropriate adjustment to the number thereof to preserve such subsidiary's percentage ownership of SkyTerra; and

Harbinger indirectly owning all of the outstanding common stock of the surviving corporation.

### **Position of SkyTerra as to the Fairness of the Merger; Recommendation by SkyTerra's Special Committee and Board of Directors (p. 32)**

On September 22, 2009, the special committee determined that the proposed merger and the terms and provisions of the merger agreement were substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders and that the merger was advisable. Based on such determinations, the special committee recommended to the board of directors that the board of directors approve and authorize the merger agreement and the transactions contemplated thereby (including the merger).

At a special meeting of the board of directors held immediately following the special committee's determination, at which all but one of the directors of SkyTerra were present, the board of directors considered the recommendation of the special committee. The board of directors concluded that the terms and provisions of the merger agreement and the proposed merger were substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders and that the merger was advisable, approved and authorized the merger agreement and recommended that SkyTerra's stockholders adopt the merger agreement. The absent member of the board of directors subsequently indicated his approval of the resolutions adopted at the board meeting.

In evaluating the fairness and advisability of the merger agreement and the related merger, the special committee and the board of directors considered, among other factors, the following, each of which the special committee and the board of directors believe supports their determination as to fairness:

Morgan Stanley Opinion. The special committee considered the financial presentation of Morgan Stanley and Morgan Stanley's oral opinion delivered to the special committee (which opinion was subsequently confirmed in writing) to the effect that, as of September 22, 2009 and based upon and

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subject to the various assumptions, qualifications and limitations set forth in its opinion, the \$5.00 per share price was fair to SkyTerra's stockholders (other than Harbinger and its affiliates) from a financial point of view, as more fully described under "Opinion of the Special Committee's Financial Advisor" beginning on page 41. The full text of the written opinion, which we refer to as the "Morgan Stanley Opinion," which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix C to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the Morgan Stanley Opinion carefully and in its entirety. The opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by SkyTerra's stockholders (other than Harbinger and its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

The additional factors described in detail under "Proposal One: The Merger: Position of SkyTerra as to the Fairness of the Merger; Recommendation by SkyTerra's Special Committee and Board of Directors" beginning on page 32.

The board of directors, after receiving the recommendation of the special committee, (1) has approved, declared advisable and authorized the merger agreement and the transactions contemplated thereby, including the proposed merger; (2) has determined that the proposed merger and the transactions contemplated thereby are substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders; and (3) recommends that SkyTerra's stockholders vote FOR the adoption of the merger agreement. The board of directors also recommend that you vote FOR each of the nominees for election to the board of directors of SkyTerra, and the approval of any proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement.

### **Position of the Harbinger Filing Persons as to the Fairness of the Merger (p. 37)**

Under the SEC rules, the Harbinger Parties and each of Harbinger Capital Partners Special Situations GP, LLC, Harbinger Capital Partners LLC, Harbinger Holdings LLC and Mr. Falcone (collectively, the "Harbinger Filing Persons") are required to provide certain information regarding their position as to the substantive and procedural fairness of the proposed merger to the unaffiliated stockholders of SkyTerra. The Harbinger Filing Persons did not undertake a formal evaluation of the fairness of the proposed merger and are making the statements included in this section solely for purposes of complying with such requirements. The views of the Harbinger Filing Persons with respect to the fairness of the merger are not, and should not be construed as, a recommendation to any stockholder as to how that stockholder should vote on the proposal to adopt the merger agreement.

No Harbinger Filing Persons participated in the deliberations of SkyTerra's directors regarding, and no Harbinger Filing Persons received advice from the special committee's legal or financial advisors as to, the fairness of the merger. The Harbinger Parties engaged UBS Securities LLC, which we refer to as "UBS," as financial advisor to provide certain financial advisory services with respect to the merger. UBS did not provide an opinion with respect to the fairness of the merger or the merger consideration. The Harbinger Filing Persons believe that the merger is substantively and procedurally fair to SkyTerra's unaffiliated stockholders based on, among other things, the following factors:

Notwithstanding Harbinger's significant ownership of voting securities of SkyTerra, the board of directors of SkyTerra does not include any person who is employed by or affiliated with Harbinger or who has a financial interest in Harbinger;

The special committee of SkyTerra's board of directors, which is comprised of three directors who are not affiliated with Harbinger and are not officers or employees of SkyTerra, unanimously concluded that the merger is fair to and in the best interests of the unaffiliated stockholders of SkyTerra, approved

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the merger agreement and the merger and recommended to the board of directors of SkyTerra that the board of directors of SkyTerra approve the merger agreement and that the merger agreement be submitted to the stockholders of SkyTerra for adoption; and

The additional factors described in detail under Proposal One The Merger Position of the Harbinger Filing Persons as to the Fairness of the Merger beginning on page 37.

### **Opinion of the Special Committee's Financial Advisor (p. 41)**

The special committee received a financial presentation from Morgan Stanley and Morgan Stanley's oral opinion delivered to the special committee (which opinion was subsequently confirmed in writing) to the effect that, as of September 22, 2009 and based upon and subject to the various assumptions, qualifications and limitations set forth in its opinion, the \$5.00 per share price was fair to SkyTerra's stockholders (other than Harbinger and its affiliates) from a financial point of view, as more fully described under Opinion of the Special Committee's Financial Advisor beginning on page 41. The full text of the written opinion, which we refer to as the Morgan Stanley Opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix C to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the Morgan Stanley Opinion carefully and in its entirety. The opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by SkyTerra's stockholders (other than Harbinger and its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

### **Purposes and Effects of the Merger (p. 39)**

#### **SkyTerra's Purpose**

SkyTerra's choice to engage in the transaction at this time was driven by the amount of SkyTerra's existing cash in light of the upcoming significant capital requirements in the fourth quarter of 2010 and the limitations on the Company's ability to raise additional equity or debt based on contract covenant restrictions and market conditions, as well as the company's inability to conclude any agreement with strategic investors over a period of in excess of five years. SkyTerra determined that the market premium offered by Harbinger provided the most attractive transaction to the company, and that it was reasonable to conclude that delaying a transaction with Harbinger would be very unlikely to result in any favorable alternatives and would most likely result in a loss of the Harbinger opportunity in whole or an opportunity on less favorable terms as the company's financial resources declined.

#### **Purpose of the Harbinger Filing Persons**

The Harbinger Filing Persons' purpose for engaging in the merger is to increase Harbinger's ownership of SkyTerra Capital Stock from its current position of approximately 46% of the outstanding voting shares of Common Stock and 48% of the outstanding Capital Stock to 100%, respectively. Upon completion of the merger, SkyTerra will become an indirect wholly owned subsidiary of Harbinger. See The Harbinger Filing Persons' Purpose of the Merger beginning on page 40 for a discussion as to why Harbinger is pursuing the merger at this time.

#### **Effects of the Merger**

As a result of the proposed merger, all shares of Capital Stock, other than excluded shares, will be converted into the right to receive \$5.00 per share, without interest, will be automatically canceled and retired and will cease to exist.

In addition, the merger agreement provides that each outstanding option (including certain options granted under the Mobile Satellite Ventures LP 2001 Unit Incentive Plan that are outstanding as of immediately prior to the effective time but were not previously exchanged pursuant to the option exchange offer made by SkyTerra pursuant to that Registration Statement on Form S-4, Registration No. 333-144093) to purchase Common Stock (whether or not vested or exercisable) will be canceled in exchange for a per share amount in cash equal to the

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excess, if any, of \$5.00 over the per share exercise price of the option (other than any option, the vesting of which is contingent on the achievement of performance goals, which will be canceled immediately prior to the effective time and replaced with cash based awards to be determined by SkyTerra's Compensation Committee, subject to the approval (which approval shall not be unreasonably withheld) of Harbinger).

Each outstanding share of restricted stock (that was not performance based) previously issued by SkyTerra which is outstanding as of the effective time will be canceled in exchange for the right to receive, from the surviving corporation, a per share amount in cash equal to the merger consideration. Each outstanding MSV phantom unit which is outstanding as of the effective time will be canceled and be deemed to have been exchanged for 2.82 shares of Common Stock immediately prior to the effective time. Each holder, including SkyTerra's directors and officers, receiving shares of Common Stock in connection with the exchange and cancellation of the phantom units will be entitled to receive \$5.00 per share of such Common Stock.

At the time the merger becomes effective, each share of common stock of Acquisition Corp. that is issued and outstanding immediately prior to the effective time will be converted into one share of common stock of the surviving corporation.

Harbinger, as the owner of SkyTerra, as the surviving corporation, and its business following the effective time, will be the only beneficiary of any earnings and growth of SkyTerra following the proposed merger.

Upon completion of the proposed merger, Common Stock will no longer be traded on the Over the Counter Bulletin Board and will be deregistered under the Securities Exchange Act of 1934, as amended. Following the merger, Common Stock will no longer be publicly traded.

### **Merger Financing (p. 50)**

The total amount of funds required to complete the merger (excluding related fees and expenses) is estimated to be approximately \$262 million. Acquisition Corp. will obtain such funds from Harbinger, which expects to obtain such funds from its resources existing at the time the merger is completed. The merger is not conditioned on any financing arrangements.

### **Interests of SkyTerra Directors and Officers in the Merger (p. 50)**

In considering the recommendation of the special committee and the board of directors with respect to the merger agreement, you should be aware that some of SkyTerra's directors and executive officers have interests in the merger that may be different from, or in addition to, the interests of SkyTerra's stockholders generally. Such interests include the treatment of stock options, restricted stock and phantom units held by such directors and officers, as well as indemnification and insurance arrangements with officers and directors and change in control severance benefits that may become payable to certain officers. The special committee and the board of directors were aware of the different or additional interests set forth herein and considered such interests along with other matters in approving the proposed merger agreement and the transactions contemplated thereby (including the merger).

### **Material U.S. Federal Income Tax Consequences (p. 61)**

The exchange of your Capital Stock for cash pursuant to the merger will be a taxable event for U.S. federal income tax purposes. You will generally recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash you receive and your adjusted tax basis in Capital Stock you surrender pursuant to the merger. The U.S. federal income tax summary set forth above is for general information only. See Material U.S. Federal Income Tax Consequences. You should consult your tax advisor with respect to the particular tax consequences to you of the receipt of cash in exchange for Capital Stock pursuant to the merger, including the applicability and effect of any state, local or foreign tax laws, and of changes in applicable tax laws.



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### **Quorum; Required Vote (p. 17)**

The presence at the annual meeting, in person or by proxy, of the holders of a majority of all of the shares of Common Stock issued and outstanding as of the close of business on the record date and entitled to vote will constitute a quorum for the transaction of business at the annual meeting. In addition, a majority of the outstanding Eligible Shares must be present, in person or by proxy, and be voted at the annual meeting in order to satisfy a condition to the consummation of the merger. For purposes of this proxy statement, (1) Eligible Shares means all shares of Common Stock excluding Escrowed Shares and any shares of Common Stock held by the Harbinger Parties, any director or officer of SkyTerra or any of their respective affiliates and (2) Escrowed Shares means any securities of SkyTerra which are Pledged Property (as defined in Item 4 of Schedule 13D/A filed on September 17, 2008 by the Harbinger Parties and certain affiliates) or Wells Fargo Escrowed Shares (as defined in Item 4 of the Schedule 13D/A filed on April 9, 2008 by the Harbinger Parties and certain affiliates). As of January 7, 2010, there were 22,524,171 Eligible Shares issued and outstanding, which means that 11,284,610 Eligible Shares must be present, in person or by proxy, and be voted at the annual meeting in order for a quorum to be established for these purposes. The holders of shares represented by proxies reflecting abstentions or broker non votes are considered present at the meeting and count toward a quorum. However, abstentions and broker non votes will have the effect of a vote against adoption of the merger agreement.

Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote is necessary to adopt the merger agreement. As of the record date, there were [ ] outstanding shares of Common Stock (and [ ] outstanding shares of Non Voting Common Stock). Each outstanding share of Common Stock is entitled to one vote. As of the record date, Harbinger and its affiliates are entitled to vote approximately 46% of the outstanding shares of Common Stock. Harbinger has agreed to vote its shares of Common Stock in favor of the merger. In addition to the required vote under Delaware law, the merger agreement requires (1) that a majority of the outstanding Eligible Shares must be present, in person or by proxy, and be voted at the annual meeting and (2) a majority of the Eligible Shares so present and voted shall have voted in favor of the adoption of the merger agreement.

### **Rights of Appraisal (p. 63)**

SkyTerra stockholders who do not vote in favor of the merger agreement and who perfect their appraisal rights under Delaware law will have the right to a judicial appraisal of the fair value of their shares of Capital Stock. In addition to not voting in favor of the merger, the stockholder must deliver to SkyTerra a written demand for appraisal of his shares prior to the vote on the merger agreement and continue to hold such shares until the consummation of the merger.

### **Conditions to Consummation of the Merger (p. 75)**

The obligations of SkyTerra, Harbinger and Acquisition Corp. to complete the merger are subject to various conditions, including:

adoption of the merger agreement by the requisite vote of the SkyTerra stockholders in accordance with applicable law;

the absence of any provision of applicable law, judgment, order or injunction prohibiting the merger;

the receipt of all material consents, approvals and authorizations of and filings with governmental entities required for the consummation of the merger (including a consent from the Federal Communications Commission);

a majority of the outstanding Eligible Shares must be present, in person or by proxy, and be voted at the annual meeting and a majority of the Eligible Shares so present and voted shall have voted in favor of the adoption of the merger agreement (which vote, we refer to as the Required Minority Vote );

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the material accuracy of the representations and warranties of the parties to the merger agreement;

the material performance by the parties to the merger agreement of their respective obligations contained in the merger agreement;

the absence of a material adverse effect with respect to any of the SkyTerra entities;

no more than seven and one half percent (7.5%) of the outstanding shares of Capital Stock, determined on a fully diluted basis, shall have exercised, and provided notice of the intention to exercise, appraisal rights; and

the consent of the Federal Communications Commission shall not be subject to any conditions that are materially adverse to the Harbinger Parties.

**Termination of the Merger Agreement (p. 76)**

The merger agreement may be terminated for any reason prior to the adoption of the merger agreement by stockholders by the mutual written consent of Harbinger and SkyTerra. Either Harbinger or SkyTerra may terminate the merger agreement at any time:

if the merger is not consummated on or prior to March 31, 2010; provided, however, that if Harbinger determines that additional time is necessary to forestall any action to restrain, enjoin or prohibit the merger by any governmental entity, then the termination date may be extended by Harbinger to a date not beyond June 30, 2010;

prior to the effective time of the merger, if an administrative agency or commission or other governmental authority or institution issues a final nonappealable injunction, order, decree, judgment or ruling permanently enjoining or otherwise prohibiting the merger; or

if, at the annual meeting or any adjournment thereof at which the merger agreement has been voted upon, the SkyTerra stockholders fail to approve the merger agreement by the requisite vote of stockholders of SkyTerra in accordance with applicable law or the Eligible Shares fail to approve this Agreement by the Required Minority Vote; except that a right to terminate pursuant this section may not be exercised by either Harbinger or SkyTerra if the reason for failing to obtain either such vote is the failure of the applicable quorum to be present at the annual meeting or any adjournment thereof and may not be exercised by Harbinger if the reason for failing to obtain the requisite vote of stockholders of SkyTerra in accordance with applicable law is due to a breach by the Harbinger Parties of its agreement to vote all of its shares of Common Stock in favor of the adoption of the merger agreement.

In addition, Harbinger may terminate the merger agreement prior to the adoption of the merger agreement by stockholders:

if the special committee withdraws or otherwise modifies its recommendation to SkyTerra stockholders;

under specific circumstances relating to a breach of any representation, warranty, covenant or agreement made by SkyTerra in the merger agreement which renders certain conditions to the consummation of the merger incapable of being satisfied; or

if appraisal rights are exercised and notice of intention to exercise such rights have been given in accordance with the provisions of Section 262(d) of the Delaware General Corporation Law by SkyTerra stockholders with respect to, in the aggregate, more than seven and one half percent (7.5%) of the outstanding shares of SkyTerra Capital Stock, determined on a fully diluted basis.

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In addition, SkyTerra (at the direction of the special committee) may terminate the merger agreement prior to the adoption of the merger agreement by stockholders:

if the special committee has made a termination recommendation, after following the procedures set forth in the merger agreement with respect thereto; or

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under specific circumstances relating to a breach of any representation, warranty, covenant or agreement made by Harbinger in the merger agreement which renders certain conditions to the consummation of the merger incapable of being satisfied.

and may not be exercised by Harbinger if the reason for failing to obtain the requisite vote of stockholders of SkyTerra in accordance with applicable law is due to a breach by the Harbinger Parties of its agreement to vote all of its shares of Common Stock in favor of the adoption of the merger agreement.

### **No Vote Termination Fee (p. 77)**

In the event that the merger agreement is terminated (i) by Harbinger in the situation where the merger agreement has not been voted upon because the applicable quorum for the Required Minority Vote was not present at the annual meeting or any adjournment thereof and the merger has not been consummated prior to March 31, 2010 (or an extension thereof) or (ii) by either Harbinger or SkyTerra under circumstances in which the stockholders of the Company fail to adopt the Merger Agreement by the Required Minority Vote, then, in either case, the Company shall pay to the Harbinger Parties, as promptly as practicable (but in any event within three business days), an amount equal to the \$2,000,000; provided that the no vote termination fee shall not be due and payable pursuant to clause (i) of this paragraph if the reason for failing to obtain the requisite vote of stockholders of SkyTerra in accordance with applicable law is due to a breach by the Harbinger Parties of its agreement to vote all of its shares of Common Stock in favor of the adoption of the merger agreement.

### **Change in Recommendation (p. 72)**

The merger agreement also provides that the special committee shall not withdraw, qualify or modify, in a manner adverse to Harbinger, its recommendation with respect to the merger or approve and adopt any acquisition proposal other than the merger, except that before the stockholders adopt the merger agreement, the special committee may withhold, qualify or modify its recommendation if, in response to an intervening event (as defined in the merger agreement) or a superior proposal, the special committee determines in good faith, after consultation with its legal and financial advisors, the change in recommendation is necessary for the special committee to comply with the directors' fiduciary duties under applicable law, provided that the special committee may only alter, qualify or modify its recommendation upon an intervening event or in response to a superior proposal if the special committee has previously provided Harbinger written notice of its intention to change its recommendation at least five business days prior to making a change of recommendation. During the five business day period prior to making a change of recommendation on the basis of a superior proposal, Harbinger will be permitted to propose to the special committee revisions to the terms of the transactions contemplated by the merger agreement, and the special committee will, if requested by Harbinger, negotiate in good faith regarding any such revisions, and the special committee may withhold or withdraw its recommendation on the basis of the superior proposal only in the event that it continues to be a superior proposal in light of any revisions to the terms of the transaction contemplated by the merger agreement to which Harbinger and the special committee have agreed prior to the expiration of five business day period. However, nothing in the merger agreement obligates Harbinger in any way to vote in favor of a superior proposal.

### **Regulatory Requirements (p. 56)**

Under the Communications Act of 1934, as amended (the Communications Act), SkyTerra and Harbinger may not complete the merger unless they have first obtained the FCC Consent (as defined in the merger agreement) authorizing a transfer of control of SkyTerra's FCC licenses to Harbinger. On August 22, 2008, Harbinger and SkyTerra filed applications with the Federal Communications Commission (FCC) requesting the FCC Consent. The applications have been amended from time to time, including a minor amendment filed on October 5, 2009, that among other things informed the FCC that the proposed transfer of control will be implemented pursuant to the merger agreement.

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Although the applications are subject to public comment and objections from third parties, the formal comment period closed on June 18, 2009. No comments or objections were filed other than a request, which is routine in such matters, from the U.S. Department of Justice, with the concurrence of the U.S. Department of Homeland Security (the Executive Branch Agencies ), asking that the FCC defer action on the applications until the Executive Branch Agencies have completed their review of the applications for any national security, law enforcement, and public safety issues. There can be no assurance that the applications will be granted and it is uncertain when the FCC will complete its processing of the applications.

On August 24, 2009, the waiting period under the HSR Act expired regarding Harbinger's acquisition of shares of SkyTerra.

On July 15, 2009 Harbinger and SkyTerra filed a joint voluntary notice (the Notice ) under Section 721 of the Defense Production Act of 1950, as amended ( Section 721 ) with the Committee on Foreign Investment in the United States ( CFIUS ). The Notice asked CFIUS to find that transactions (collectively, the Transaction ) that would result in Harbinger and its affiliates (together with Harbinger Capital Partners Fund I, L.P.) holding a majority of the voting shares in SkyTerra are not covered transactions as that term is defined in CFIUS regulations and that, accordingly, they are not subject to review for determination of their impact on national security under Section 721. On August 21, 2009, the Department of Treasury (as chair of CFIUS) informed Harbinger and SkyTerra that CFIUS had determined that the Transaction was not a covered transaction under Section 721. As a result of this determination, the Transaction is not, and will not be, subject to review by CFIUS.

## **Litigation Challenging the Merger (p. 57)**

Putative class action lawsuits were filed in Delaware against Harbinger, SkyTerra and SkyTerra's board of directors, including the special committee. These lawsuits allege, among other things, a breach of fiduciary duty in connection with the proposed merger. The lawsuits have been consolidated, and on November 18, 2009, a memorandum of understanding was executed contemplating a settlement of the litigation.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETING**

We intend the following questions and answers to provide brief answers to frequently asked questions concerning the proposed merger. These questions and answers do not, and are not intended to, address all the questions that may be important to you as a SkyTerra stockholder. You should read the remainder of this proxy statement carefully, including the information incorporated by reference and all of the appendices.

Q: Why am I receiving these materials?

A: The board of directors is providing these proxy materials to give you information for use in determining how to vote on the merger agreement in connection with the annual meeting.

Q: What is the date, time and place of the annual meeting?

A: The annual meeting of stockholders will be held at 10802 Parkridge Boulevard, Reston, VA 20191 on [ ], 2010, at [10:00 a.m.], local time.

Q: What am I being asked to vote on?

A: You are being asked to vote to approve the adoption of the merger agreement pursuant to which Acquisition Corp., a subsidiary of Harbinger, will merge with and into SkyTerra, with SkyTerra continuing as the surviving corporation in the merger. At the annual meeting, you will also be asked to elect directors to the board of directors of SkyTerra and to consider and vote upon a proposal to adjourn or postpone the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement.

Q: Who is entitled to vote at the annual meeting?

A: All holders of Common Stock as of the close of business on [ ], 2010, which we refer to as the record date, will be entitled to notice of the annual meeting. Only holders of Common Stock as of the close of business on the record date are entitled to vote at the annual meeting. The holders of Non Voting Common Stock are not entitled to vote at the annual meeting.

Q: How many votes are required to adopt the merger agreement?

A: Each outstanding share of Common Stock is entitled to one vote. Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote is necessary to adopt the merger agreement. As of [ ], the record date, there were [ ] shares of Common Stock outstanding. As of the record date, our directors and executive officers had the right to vote [ ] shares of our Common Stock. Harbinger has agreed to vote shares of Common Stock held by the Harbinger Parties in favor of the merger. As of the record date, Harbinger and its affiliates held an aggregate of [ ] shares of our Common Stock. As of [ ], Harbinger and its affiliates are entitled to vote approximately 46% of the outstanding shares of Common Stock. In addition to the required vote under Delaware law, the merger agreement requires that (1) a majority of the outstanding Eligible Shares must be present, in person or by proxy, and be voted at the annual meeting and (2) a majority of the Eligible Shares so present and voted shall have voted in favor of the adoption of the merger agreement.

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Q: What will I receive in the merger?

A: You will be entitled to receive \$5.00 per share in cash, without interest, for each share of Capital Stock that you own, unless you seek and perfect appraisal rights. If you seek appraisal and properly perfect your rights under the DGCL, the fair value of your Capital Stock that you will receive in cash as a result of the appraisal proceeding may be less than, more than or equal to the value of the merger consideration to be issued in the merger.

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Q: What is the role of the special committee?

A: The board of directors appointed a special committee of independent directors to negotiate and evaluate a potential transaction with Harbinger and recommend to the board of directors only a transaction with Harbinger that the special committee determined was fair to and in the best interests of SkyTerra's unaffiliated stockholders, with the discretion to reject any transaction proposed by Harbinger.

Q: What was the recommendation of the special committee to the SkyTerra board of directors?

A: The special committee has unanimously determined that the merger and the merger agreement are substantively and procedurally fair to, advisable to and in the best interests of SkyTerra and its unaffiliated stockholders and that the merger is advisable and has recommended to SkyTerra's board of directors that the merger and merger agreement be approved and adopted. In arriving at its conclusion, the special committee considered, among other factors, the opinion of Morgan Stanley, its independent financial advisor that, subject to the various assumptions, qualifications and limitations set forth in its opinion, as of September 22, 2009, the per share merger consideration to be paid to SkyTerra's stockholders (other than Harbinger and its affiliates) in the merger was fair to such holders from a financial point of view. The full text of the written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix C to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the Morgan Stanley Opinion carefully and in its entirety. The opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by SkyTerra's stockholders (other than Harbinger and its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement. See Proposal One The Merger Opinion of the Special Committee's Financial Advisor beginning on page 41.

Q: What is the recommendation of the board of directors to the holders of Common Stock?

A: Based in part upon the recommendation of the special committee, the board of directors recommends that SkyTerra stockholders vote FOR the adoption of the merger agreement. The board of directors, after careful consideration of numerous factors, has determined that the terms and provisions of the merger agreement are substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders and that the merger is advisable. To review the background and reasons for the merger in greater detail, see Proposal One The Merger Background of the Merger beginning on page 21 and Proposal One The Merger Position of SkyTerra as to the Fairness of the Merger; Recommendation by SkyTerra's Special Committee and Board of Directors beginning on page 32.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible. If the merger agreement is adopted and the other conditions to the merger are satisfied, we expect to complete the merger shortly after the annual meeting.

Q: Can you still sell your shares of Common Stock?

A: Yes. The Common Stock is currently quoted on the Over the Counter Bulletin Board under the symbol SKYT.OB.

Q: What happens if I sell my shares of Common Stock before the annual meeting?



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- A: The record date for the annual meeting is earlier than the expected date of the merger. If you transfer your shares of Common Stock after the record date but before the annual meeting, you will retain your right to vote at the annual meeting but will transfer the right to receive \$5.00 in cash per share to the person to whom you transfer your shares.

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Q: What do I need to do now?

A: You should read this proxy statement carefully, including the information incorporated by reference and all of the appendices, and consider how the merger would affect you. Please complete, sign, date and mail your proxy card in the enclosed postage prepaid envelope as soon as possible so that your shares may be represented at the annual meeting.

Q: Should I send in my stock certificate now?

A: No. After the merger is completed, we will send you a transmittal form and written instructions for exchanging your stock certificates.

Q: How do I submit a proxy?

A: You can submit a proxy by completing, signing, dating and mailing your proxy card in the enclosed postage prepaid envelope. See the enclosed proxy card for specific instructions. You may also vote in person if you attend the annual meeting. Street name stockholders who wish to vote at the meeting will need to obtain a proxy from the institution that holds their shares. If you sign, date and return your proxy card without indicating how you want to vote, and do not revoke the proxy, your proxy will be counted as a vote FOR adoption of the merger agreement and any adjournment or postponement of the annual meeting if there are not sufficient votes to adopt the merger agreement at the annual meeting, and you will lose your appraisal rights.

Q: Can I attend the annual meeting?

A: If you owned shares of Capital Stock on the record date, [ ], you are permitted to attend the annual meeting. You should be prepared to present photo identification for admittance. In addition, if your shares of Capital Stock are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of such shares on the record date.

Q: If my shares are held in street name, will my bank, broker or other nominee vote my shares for me?

A: Brokers and, in many cases, nominees will not have discretionary power to vote on the merger. Your broker or nominee will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker or nominee regarding how to instruct your broker or nominee to vote your shares.

Q: May I change my vote after I have mailed my signed proxy card?

A: Yes. You may change your vote by submitting to the Secretary of SkyTerra a written revocation or a later dated, signed proxy card before the annual meeting or by attending the annual meeting and voting in person.

Q: What happens if I do not send in my proxy or if I abstain from voting?

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A: If you do not send in a proxy or if you abstain from voting, such action will have the effect of a vote AGAINST adopting the merger agreement and ratifying the appointment of Ernst & Young. For the election of directors and the adjournment proposal, the failure to execute and return your proxy card or to submit a proxy by telephone or over the Internet will not affect the outcome of either proposal, but, with respect to the adjournment proposal, will reduce the number of votes required to approve such proposal.

Q: Who are the director nominees?

A: SkyTerra's board of directors has nominated each of Alexander H. Good, Jose A. Cecin, Jr., Paul S. Latchford, Jr., Jeffrey M. Killeen, William F. Stasior and Michael D. Weiner (each of whom is currently a director of SkyTerra) for election to the board of directors of SkyTerra. See Proposal Two Election of Directors.

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Q: What vote is needed to elect directors?

A: Directors are elected by a plurality vote. The six nominees for director who receive the most votes cast in their favor will be elected to serve as directors. Any SkyTerra shares not voted will have no impact on the election of directors, except to the extent that the withholding of authority to vote for an individual director results in another individual receiving a larger number of votes.

Q: What vote is needed to ratify the appointment of Ernst & Young?

A: Ratification of the appointment of the independent registered public accounting firm requires the affirmative vote of the holders of a majority of the total number of votes of our capital stock, present in person or represented by proxy. With respect to the ratification of the appointment of the independent registered public accounting firm, under SkyTerra's bylaws and the laws of the State of Delaware, abstentions from voting will have the same effect as voting against such matter and broker non-votes, if any, will be disregarded and have no effect on the outcome of the vote.

Q: As a SkyTerra stockholder, why am I electing SkyTerra's directors when I am being asked to adopt the merger agreement?

A: Delaware law requires SkyTerra to hold a meeting of its stockholders each year. SkyTerra will observe this requirement and hold the meeting to elect directors to the SkyTerra board of directors. The SkyTerra directors elected at the Annual Meeting will serve as directors of SkyTerra following the meeting through the earliest of the completion of the merger, SkyTerra's 2010 annual meeting of stockholders, or the director's earlier death, resignation or removal. Upon completion of the merger, the individuals serving as SkyTerra directors immediately prior to the completion of the merger will be replaced by the directors of Acquisition Corp.

Q: What are the consequences of the merger to present officers and the board of directors?

A: Immediately following the merger, it is expected that SkyTerra's existing officers will continue as officers of the surviving corporation. The directors of Acquisition Corp. at the effective time of the merger will be the initial directors of SkyTerra, as the surviving corporation. Like other stockholders, officers and the board of directors will be entitled to receive \$5.00 in cash for each of their shares of Capital Stock.

For more information, including information regarding officers' and directors' receipt of certain payments, see Proposal One The Merger Interests of SkyTerra Directors and Officers in the Merger beginning on page 50.

Q: What rights do I have to seek appraisal of my shares?

A: SkyTerra's stockholders (other than Harbinger and its affiliates) are entitled to exercise appraisal rights in connection with the merger. Both holders of Common Stock and Non-Voting Common Stock are entitled to exercise appraisal rights in connection with the merger. If you do not vote in favor of the merger and it is completed, you may seek payment of the fair value of your shares under Delaware law. To do so, you must strictly comply with all of the required procedures under Delaware law. See Proposal One The Merger Rights of Appraisal beginning on page 63.

Q: Will a proxy solicitor be used?

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A: Yes. SkyTerra has retained D.F. King to assist in the solicitation of proxies for the annual meeting for a fee of approximately \$17,000 plus expenses and fees for additional services provided, if any. SkyTerra will be responsible for the costs incurred to retain D.F. King.

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Q: Who can help answer my questions?

A: The information provided above in the question and answer format is for your convenience only and is merely a summary of some of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the information incorporated by reference and all of the appendices. If you have any questions about the merger, need assistance in voting your shares or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact SkyTerra at:  
SkyTerra Communications, Inc.

10802 Parkridge Boulevard

Reston, VA 20191

(703) 390 2700

Attn: Investor Relations

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**CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING INFORMATION**

This proxy statement contains or incorporates by reference certain forward looking statements and information relating to SkyTerra that are based on the beliefs of management as well as assumptions made by and information currently available to SkyTerra. When used in this document, the words anticipate, believe, estimate, project, expect, plan intend should or will and similar expressions, as they relate to or its management are intended to identify forward looking statements. Such statements reflect the current view of SkyTerra with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of SkyTerra to be materially different from any future results, performance or achievements that may be expressed or implied by such forward looking statements, including, the matters discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations in SkyTerra's most recent quarterly or annual report filed with the SEC, as well as factors relating to the proposed merger, including (i) diversion of management attention away from the operations of the business as a result of preparations for the proposed merger and the defense of litigation in connection with the proposed merger and (ii) the cost of litigation and other transaction related expenses that are expected to be incurred regardless of whether the proposed merger is consummated.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, projected, expected, planned or intended. We caution you not to place undue reliance on these forward looking statements, which speak only as of the date of this proxy statement, or in the case of documents incorporated by reference, as of the date of those documents. SkyTerra does not intend, or assume any obligation, to update these forward looking statements.

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**THE ANNUAL MEETING**

**Time and Place of the Annual Meeting**

This proxy statement is furnished, and the accompanying proxy is solicited, on behalf of the board of directors of SkyTerra, for use at the annual meeting of SkyTerra stockholders to be held at 10802 Parkridge Boulevard, Reston, VA 20191 on [ ], 2010, at [10:00 a.m.], local time, and at any adjournment or postponement thereof. The proxy statement and the accompanying proxy will be mailed on or about [ ], 2010 to all SkyTerra stockholders as of the record date.

**Matters to be Considered**

At the annual meeting, holders of Common Stock will be asked to:

- 1) Consider and vote upon a proposal to adopt the merger agreement, which, if the merger is completed, would result in each share of Capital Stock converting into the right to receive \$5.00 in cash, without interest, except for:

shares of Capital Stock owned by Harbinger or its affiliates, all of which will be canceled without any payment;

shares of Capital Stock owned by subsidiaries of SkyTerra immediately prior to the effective time of the merger, which will remain outstanding thereafter, with appropriate adjustment to the number thereof to preserve such subsidiary's percentage ownership of SkyTerra; and

shares of Capital Stock held by stockholders who validly exercise and perfect appraisal rights in accordance with Delaware law;

- 2) To elect six (6) directors to serve on SkyTerra's board of directors, each to hold office until the earliest of SkyTerra's 2010 annual meeting of stockholders, his earlier death, resignation or removal or, if the merger is completed, the effective time of the merger;
- 3) Consider and vote upon a proposal to adjourn the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement;
- 4) To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of SkyTerra for the year ending December 31, 2009; and
- 5) Transact any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

The board of directors, after receiving the recommendation of the special committee, (1) has approved, declared advisable and authorized the merger agreement and the transactions contemplated thereby, including the proposed merger; (2) has determined that the proposed merger and the transactions contemplated thereby are substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders; and (3) recommends that SkyTerra's stockholders vote FOR the adoption of the merger agreement. The board of directors also recommend that you vote FOR each of the nominees for election to the board of directors of SkyTerra, and the approval of any proposal to adjourn the annual meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the annual meeting to adopt the merger agreement.

**Record Date; Voting Rights**



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We have fixed [ ], 2010 as the record date. Only stockholders of record as of the close of business on the record date are entitled to notice of the annual meeting. Only holders of Common Stock as of the close of business on the record date are entitled to vote at the annual meeting. Holders of Non Voting Common Stock are

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not entitled to vote at the annual meeting. As of the close of business on the record date, there were [ ] issued and outstanding shares of Common Stock. Each share of Common Stock is entitled to one vote on all matters to be considered at the annual meeting. The Common Stock is currently quoted on the Over the Counter Bulletin Board under the symbol SKYT.OB.

### **Quorum**

The presence at the annual meeting, in person or by proxy, of the holders of a majority of all of the shares of Common Stock issued and outstanding as of the close of business on the record date and entitled to vote will constitute a quorum for the transaction of business at the annual meeting. In addition, a majority of the outstanding Eligible Shares must be present, in person or by proxy, and be voted at the stockholder meeting in order to satisfy a condition to the consummation of the merger. As of January 7, 2010, there were 22,524,171 Eligible Shares issued and outstanding, which means that 11,284,610 Eligible Shares must be present, in person or by proxy, and be voted at the stockholder meeting in order for a quorum to be established for these purposes. The holders of shares represented by proxies reflecting abstentions or broker non votes are considered present at the meeting and count toward a quorum. However, abstentions and broker non votes will have the effect of a vote against adoption of the merger agreement.

If less than a majority of outstanding shares entitled to vote are represented at the annual meeting, a majority of the shares present at the meeting, either in person or by proxy, may adjourn the meeting to another date, time and/or place, and notice need not be given of the new date, time and/or place if the new date, time or place is announced at the meeting before an adjournment is taken.

### **Required Vote**

Under Delaware law, adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock. In addition to the required vote under Delaware law, the merger agreement requires that (1) a majority of the outstanding Eligible Shares must be present, in person or by proxy, and be voted at the annual meeting and (2) a majority of the Eligible Shares so present and voted shall have voted in favor of the adoption of the merger agreement. Ratification of the appointment of Ernst & Young as the independent registered public accounting firm of SkyTerra requires the affirmative vote of a majority of the shares of Common Stock represented and entitled to vote at the annual meeting. A properly executed proxy marked ABSTAIN with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a vote against the adoption of the merger agreement and the ratification of the appointment of Ernst & Young as the independent registered public accounting firm of SkyTerra.

For the election of directors, the six nominees receiving the highest numbers of votes of the shares of Common Stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors will be elected as directors. Approval of a proposal to adjourn the meeting, if necessary, for any purpose, including to solicit additional proxies, would require the affirmative vote of the holders of a majority of the shares of Common Stock represented and entitled to vote at the Annual Meeting.

For shares held in street name through a broker or other nominee, the broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon, including the adoption of the merger agreement. If the broker or nominee is not given specific instructions, the shares may not be voted. Shares represented by such broker non votes will, however, be counted in determining whether there is a quorum.

All votes will be tabulated by the inspector of election appointed for the annual meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non votes.

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As of the record date, Harbinger and its affiliates are entitled to vote approximately 46% of the outstanding shares of Common Stock. Harbinger has agreed to vote its shares of Common Stock in favor of the merger.

## **Proxies; Revocation**

Even after SkyTerra stockholders have submitted their proxy cards, they may change their vote at any time before the proxy is exercised by filing with the SkyTerra Secretary at SkyTerra's executive offices located at 10802 Parkridge Boulevard, Reston, VA 20191, either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if the stockholder attends the meeting in person and so requests, although attendance at the meeting will not by itself revoke a previously granted proxy.

## **Solicitation of Proxies**

SkyTerra will pay the cost of preparing, assembling and mailing the proxy statement, notice of meeting and enclosed proxy card. In addition to the use of mail, SkyTerra employees may solicit proxies personally and by telephone. SkyTerra employees will receive no compensation for soliciting proxies other than their regular salaries. SkyTerra may request banks, brokers and other custodians, nominees and fiduciaries to forward copies of the proxy material to the beneficial owners of Capital Stock and to request authority for the execution of proxies, and SkyTerra may reimburse such persons for their expenses incurred in connection with these activities. SkyTerra has retained D.F. King to assist in the solicitation of proxies for the annual meeting for a fee of approximately \$17,000 plus expenses and fees for additional services provided, if any. The fees payable to D.F. King are being paid by SkyTerra.

## **Appraisal Rights**

Stockholders who do not vote in favor of approval of the merger agreement and who comply with the procedures for perfecting appraisal rights under the applicable statutory provisions of Delaware law summarized elsewhere in this proxy statement may demand payment of the fair value of their shares in cash in connection with the consummation of the merger. See Proposal One The Merger Rights of Appraisal beginning on page 63.

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**THE PARTICIPANTS**

**SkyTerra Communications, Inc.**

SkyTerra Communications, Inc.

10802 Parkridge Boulevard

Reston, VA 20191

(703) 390 700

SkyTerra Communications, Inc., a Delaware corporation, which we refer to as SkyTerra, delivers mobile wireless voice and data services primarily for public safety, security, fleet management and asset tracking in the U.S. and Canada. The company's next generation integrated satellite terrestrial communications network is expected to provide seamless, transparent and ubiquitous wireless coverage of the United States and Canada to conventional sized cellular handsets. When completed, the network will support communications in a variety of market segments, including public safety, homeland security, aviation, transportation, entertainment, as well as consumers, by providing a platform for interoperable, user friendly and feature rich voice and high speed data services.

If the merger agreement and the merger are adopted by the SkyTerra stockholders at the annual meeting and the merger is completed as contemplated, SkyTerra will survive the merger and will continue its operations as a private company and a wholly owned indirect subsidiary of Harbinger.

Additional information about SkyTerra is contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as amended, which is attached hereto as Appendix E and is incorporated herein by reference. See Where You Can Find More Information beginning on page 94.

**Harbinger Capital Partners Master Fund I, Ltd.**

Harbinger Capital Partners Master Fund I, Ltd., an exempted company organized under the laws of the Cayman Islands, which we refer to as Master Fund, is a global hedge fund managed by Harbinger Capital Partners LLC.

Harbinger Capital Partners was founded in 2001 and is led by its Co-Founder and Chief Investment Officer, Philip A. Falcone, who has over 20 years of investment experience across an array of market cycles. The Harbinger team is disciplined and value oriented, focusing on alpha generating ideas that are uncorrelated to investment cycles. The firm combines a flexible, innovative approach to uncovering opportunity with a thorough investment process. Each investment undergoes rigorous fundamental research, extensive vetting, and seeks an identifiable catalyst for value realization. Harbinger regards risk management as a critical component of the investment process and actively manages risk at three levels: portfolio, position and operations. The firm offers several strategies which emphasize different opportunities, each based on the same time tested fundamental investment and risk management processes.

The executive offices of Master Fund are located at c/o International Fund Services Limited, Third Floor, Bishop's Square, Redmond's Hill, Dublin 2, Ireland and its telephone number is (212) 521 6972.

**Harbinger Capital Partners Special Situations Fund, L.P.**

Harbinger Capital Partners Special Situations Fund, L.P., a Delaware limited partnership, which we refer to as Special Fund and in connection with Master Fund is referred to as Harbinger in this proxy statement, is a global hedge fund managed by Harbinger Capital Partners Special Situations GP, LLC.

The executive offices of Special Fund are located at c/o Harbinger Capital Partners, 450 Park Avenue, 30th Floor, New York, New York 10022 and its telephone number is (212) 339 5100.

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**Sol Private Corp.**

Sol Private Corp., a Delaware corporation and a wholly owned indirect subsidiary of Harbinger, which we refer to as Acquisition Corp., was formed solely for the purpose of entering into the merger agreement and consummating the merger and has not engaged in any business except in furtherance of the merger.

The executive offices of Acquisition Corp. are located at c/o Harbinger Capital Partners, 450 Park Avenue, 30th Floor, New York, New York 10022 and its telephone number is (212) 339 5100.

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**PROPOSAL ONE THE MERGER**

**General**

The merger agreement provides that, subject to certain conditions, Acquisition Corp. will merge with SkyTerra, with SkyTerra continuing as the surviving corporation in the merger. We have attached a copy of the merger agreement as Appendix A to this proxy statement and a copy of the First Amendment as Appendix B to this proxy statement. We urge you to, and you should, read the merger agreement in its entirety because it is the legal document governing the merger.

**Background of the Merger**

***Historical Relationship Between Harbinger and SkyTerra***

As of March 28, 2006, the Master Fund was a minority stockholder in SkyTerra, owning approximately 2,117,800 shares of Capital Stock. At such time, SkyTerra's two primary assets, following its distribution in February 2006 of its interest in Hughes Network Systems, were minority stakes in Mobile Satellite Ventures LP ( MSV, and subsequently renamed SkyTerra LP and now a wholly owned subsidiary of SkyTerra, SkyTerra LP ) and TerreStar Networks Inc. ( TerreStar Networks ). In March 2006, the Master Fund also acquired from the underwriters \$60 million aggregate principal amount of bonds in a \$750 million offering of SkyTerra LP Senior Secured Notes ( Senior Secured Notes ). Subsequently, on July 28, 2006, Harbinger increased its equity ownership in SkyTerra to 3,230,048 shares of Capital Stock through the purchase of 891,363 shares of Capital Stock at \$18 per share as part of a stockholder rights offering made to all SkyTerra stockholders. As of October 13, 2006, the Master Fund, together with the Special Fund had acquired another 2,703,214 shares of Capital Stock at prices ranging from \$12.95 - \$13.15 per share. Following these purchases Harbinger beneficially owned (within the meaning of the SEC's rules) approximately 22.3% of SkyTerra's Capital Stock, as reported by Harbinger, in a report filed with the SEC on Schedule 13D on October 13, 2006. Except with respect to the agreements entered into by SkyTerra LP with each holder of Senior Secured Notes, Harbinger and SkyTerra had not entered into any agreements or transactions in connection with the purchases described above.

Subsequent to its initial investments in SkyTerra and SkyTerra LP, Harbinger further increased its investments in SkyTerra and SkyTerra LP through a series of transactions occurring between December 2007 through July 2009. During such time period, the following significant transactions involving SkyTerra and Harbinger (or investments of Harbinger) occurred:

Purchase of \$150 Million of SkyTerra LP Senior Unsecured Notes. On December 15, 2007, Harbinger entered into a Securities Purchase Agreement (the 2007 SPA ) with SkyTerra LP and Mobile Satellite Ventures Finance Co., which was subsequently renamed SkyTerra Finance Co. and is now a wholly owned subsidiary of SkyTerra, pursuant to which Harbinger agreed to purchase \$150 million of SkyTerra LP's 16.5% Senior Unsecured Notes due 2013 and ten year warrants to purchase 9,144,038 shares of SkyTerra's Capital Stock, with an exercise price of \$10.00 per share. The terms of the warrants permit Harbinger to elect to receive shares of Common Stock, Non-Voting Common Stock or any combination thereof. Harbinger was also granted the right of first negotiation to discuss the purchase of additional equity securities from SkyTerra prior to SkyTerra's negotiation with a third party. If SkyTerra and Harbinger did not agree on the terms for such a transaction, Harbinger had the right to maintain its percentage ownership interest through pro rata purchases of shares in issuances to third parties. Such right expires once Harbinger and their affiliates beneficially own less than five percent (5%) of the outstanding Capital Stock of SkyTerra or, if earlier, on December 31, 2011. The transactions contemplated by the 2007 SPA closed on January 7, 2008.

SkyTerra Enters into Cooperation Agreement with Inmarsat. On December 20, 2007, SkyTerra entered into a Cooperation Agreement, which we refer to as the Cooperation Agreement, with Inmarsat Global Limited, a subsidiary of Inmarsat plc, which we refer to as Inmarsat. Inmarsat is a UK satellite company in which Harbinger owns approximately 28% of the outstanding capital stock.

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Inmarsat, SkyTerra and SkyTerra (Canada) represented three of the five L band mobile satellite system operators in North America included in the 1996 Mexico City Memorandum of Understanding entered into by the United States, Canada, the United Kingdom, Mexico and Russia governing L band satellite network coordination in North America. The Cooperation Agreement provided for cooperation between SkyTerra and Inmarsat concerning coordination of next generation satellite systems in North America, re banding of L band spectrum in North America to provide each with increased contiguous spectrum bandwidth and other matters. Harbinger was not a party to the transaction.

Purchase of 14.4 Million Shares of SkyTerra Non Voting Common Stock from Motient Corporation. On February 4, 2008, Harbinger Capital Partners Fund I, L.P., an affiliate of Harbinger, purchased 14,407,343 shares of Non Voting Common Stock of SkyTerra from Motient Corporation, which was subsequently renamed TerreStar Corporation ( TerreStar ). The shares held by TerreStar were issued to TerreStar as part of a September 2006 transaction (the 2006 Rollup ). In the 2006 Rollup, the equity owners of SkyTerra LP (other than SkyTerra), including TerreStar, exchanged their equity in SkyTerra LP for shares of SkyTerra. As a result thereof, ownership and control of SkyTerra LP was consolidated under SkyTerra and ownership of TerreStar Networks was consolidated under the control of TerreStar. The purchase by Harbinger Capital Partners Fund I, L.P., of the 14.4 million shares of Non Voting Common Stock was a third party transaction with TerreStar. SkyTerra was not a party to the transaction.

Indenture Waiver. The indenture governing the Senior Secured Notes of SkyTerra LP and SkyTerra Finance Co., the note issuers, required the note issuers to offer to repurchase the Senior Secured Notes following a change of control (as defined in the indenture for such notes). Effective April 2, 2008, the holders of a majority in aggregate principal amount at maturity of the Senior Secured Notes then outstanding signed letters to waive compliance by the issuers and guarantors of such notes with any provisions of the indenture that would, but for such waivers, require the note issuers to offer to repurchase or to repurchase any of the Senior Secured Notes due to a change of control caused by the acquisition of beneficial ownership of Common Stock or Non Voting Common Stock by Harbinger or any of its affiliates.

Purchase of 16.4 Million Shares of Common Stock and Non Voting Common Stock from Apollo. On April 7, 2008, Harbinger entered into an agreement with Apollo Investment Fund IV, L.P., Apollo Overseas Partners IV, L.P., AIF IV/RRRR LLC, AP/RM Acquisition LLC and ST/RRRR LLC (which we refer to, collectively, as Apollo ) pursuant to which Harbinger, on April 9, 2008, purchased from Apollo 10,224,532 shares of Common Stock (of which 442,825 shares were placed in escrow pending receipt of the FCC Consent relating to Harbinger s application to acquire control of SkyTerra) and 6,173,597 shares of Non Voting Common Stock for, in the aggregate, approximately \$164 million (\$10 per share). Additionally, Harbinger purchased all Series 1A warrants of SkyTerra held by Apollo representing the right to purchase up to 679,922 shares with an exercise price of \$20.39 per share and all Series 2A warrants of SkyTerra held by Apollo representing the right to purchase up to 2,689,734 shares with an exercise price of \$25.85 per share. The Series 1A warrants and Series 2A warrants expired unexercised on June 4, 2009 and August 19, 2009, respectively. The purchase by Harbinger of the approximately 16.4 million shares of Capital Stock was a third party transaction between Harbinger and Apollo. SkyTerra was not a party to the transaction.

It was a condition to the consummation of the April 7, 2008 Harbinger Apollo agreement that (i) the authorized size of the board of directors be increased from six members to seven members, (ii) each of Andrew D. Africk and Jeffrey Leddy resign from the board of directors and from the board of directors of each subsidiary of SkyTerra and be replaced by Paul S. Latchford, Jr. and Jose A. Cecin, Jr., and (iii) Alexander H. Good be elected to the board of directors. In considering those changes at the time, the board of directors of SkyTerra noted that the changes in the board composition, including the election of two independent directors proposed by Harbinger, Messrs. Cecin and Latchford, should help facilitate a NASDAQ listing, which was a goal of the board of directors at such time. Mr. Cecin was identified to Harbinger by a Harbinger consultant, based on such consultant s view of Mr. Cecin s

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business experience and knowledge in the telecommunications industry. Among other candidates, Mr. Latchford was identified to Harbinger by Mr. Good based on similar criteria. Neither Mr. Cecin nor Mr. Latchford had any prior relationship of any nature with Harbinger or any of its affiliates.

Executed Master Contribution and Support Agreement ( MCSA ) for Inmarsat Possible Offer and Commitment to Purchase \$500 Million of SkyTerra LP Senior Unsecured Notes. On April 10, 2008, Harbinger approached SkyTerra management with a proposal for a business combination of SkyTerra and Inmarsat. After receipt of such proposal, the board of directors considered a process, with the advice of one of SkyTerra's outside corporate counsel, Skadden, Arps, Slate Meagher & Flom LLP, which we refer to as Skadden, on establishing a special committee of the board of directors and designating which members of the SkyTerra board of directors to appoint to such special committee. The SkyTerra board of directors determined to establish a special committee to evaluate transaction proposals from Harbinger and to negotiate directly with Harbinger on the behalf of the SkyTerra board of directors. It was determined as a result of that review and process for SkyTerra to designate three members to the special committee, all of which qualified as independent under NASDAQ rules. Specifically, on April 24, 2008, two long-standing members of the SkyTerra board of directors, Jeff Killeen and Jeff Stasior, as well as Mr. Latchford, were appointed to the special committee. Messrs. Killeen and Stasior had no prior relationship with Mr. Good before their service on the board of directors and their current relationship with Mr. Good is primarily as a result of their board service and was not deemed to create any appearance of conflict. On May 1, 2008, following Mr. Latchford's resignation from the special committee in order to avoid an appearance of conflict due to his strong professional and personal relationship with Mr. Good, Mr. Cecin was appointed to the special committee. Such appointment was made given his significant knowledge of the communications industry and related markets and experience as a Managing Director of Corporate Development at Bell Atlantic and Managing Director, Investment Banking at BB&T. All members of the special committee confirmed that they had no financial and/or other relationship with Harbinger. The special committee, composed of entirely independent directors, unanimously appointed Skadden as its legal advisor and Morgan Stanley as its financial advisor. Between April and July 2008, a series of meetings and negotiations took place between the special committee, its legal and financial advisors, and SkyTerra management, and Harbinger's representatives, including Weil, Gotshal & Manges LLP, which we refer to as Weil, as legal advisor, Merrill Lynch, as financial advisor, and other special advisors.

As a result of these negotiations, on July 24, 2008, after consultation with its outside legal counsel and the receipt of a financial opinion from Morgan Stanley, the special committee unanimously determined that the Master Contribution and Support Agreement, which we refer to as the MCSA, and the related Securities Purchase Agreement, which we refer to as the SPA, were in the best interests of the stockholders of SkyTerra (other than Harbinger and its affiliates) and recommended that SkyTerra's board of directors adopt and approve the transactions contemplated by the MCSA and the related SPA. Following receipt of the recommendation of the special committee, the board of directors of SkyTerra unanimously approved and adopted the MCSA and the related SPA and representatives of SkyTerra executed the MCSA. Pursuant to the MCSA, which related to the possible combination of SkyTerra and Inmarsat, the proposed business combination would be structured as an offer by SkyTerra to acquire all issued and to be issued shares of Inmarsat not owned by Harbinger, on terms to be determined by Harbinger following the receipt of required regulatory approvals and subject to the availability of equity and debt financing on terms acceptable to Harbinger. The MCSA contemplated that Harbinger would fund the offer by SkyTerra for Inmarsat by subscribing for new shares in SkyTerra valued at \$10 per share (subject to an adjustment mechanism depending upon the offer price per Inmarsat share). Concurrently with the consummation of the offer, Harbinger would contribute its shares in Inmarsat and its equity interests in TVCC Holding Company, LLC to SkyTerra in exchange for additional SkyTerra shares valued at the same adjusted \$10 per share. Under certain circumstances set forth in the MCSA, SkyTerra agreed to reimburse the incurred and documented fees and expenses of Harbinger. The MCSA contains various restrictions on SkyTerra's actions through September 2010 pending consummation of the Inmarsat acquisition.



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In connection with the MCSA, Harbinger also agreed to provide \$500 million of debt financing to fund SkyTerra's business plan through the third quarter of 2010 pursuant to the SPA. 16.0% Senior Unsecured Notes due 2013 (the 2009 Notes) were to be issued by SkyTerra LP in four tranches of \$150 million, \$175 million, \$75 million and \$100 million on January 7, 2009, April 1, 2009, July 1, 2009, and January 4, 2010, respectively. The terms of the 2009 Notes require SkyTerra and SkyTerra LP to comply with certain covenants that restrict some of its corporate activities, including its ability to incur additional debt, pay dividends, create liens, make investments, sell assets, make capital expenditures, repurchase equity or subordinated debt, and engage in specified transactions with affiliates. In conjunction with the issuance of the 2009 Notes, SkyTerra agreed to issue to Harbinger warrants to purchase up to 25 million shares of either, at Harbinger's election, Common Stock or Non-Voting Common Stock of SkyTerra at an exercise price of \$0.01 per share. Harbinger's obligation to purchase the 2009 Notes was not conditioned upon the offer for Inmarsat being made or consummated. SkyTerra was not required under the SPA to issue the 2009 Notes and, with assistance from its financial advisor, Morgan Stanley, sought alternative financing sources in the debt and equity markets prior to consummation of the January 7, 2009, funding of the first tranche of the 2009 Notes and did not find any alternative financing sources.

On August 22, 2008, the SkyTerra board of directors, acting on the unanimous recommendation of the special committee, unanimously approved a proposed amendment to the MCSA. On the same day, SkyTerra and Harbinger entered into an amendment to the MCSA to eliminate Harbinger's contribution to SkyTerra of any equity interests in TVCC Holding Company, LLC and to eliminate SkyTerra's obligation to issue to Harbinger shares of SkyTerra Capital Stock in exchange for such contribution. In consideration of the amendment, SkyTerra agreed to issue 10.3 million additional shares of Common Stock to Harbinger if the business combination with Inmarsat contemplated by the MCSA is consummated.

Under the Communications Act, SkyTerra and Harbinger may not complete the merger unless they have first obtained the FCC Consent (as defined in the merger agreement) authorizing a transfer of control of SkyTerra's FCC licenses to Harbinger and authorizing, under Section 310(b)(4) of the Communications Act, up to 100% ownership of SkyTerra by Harbinger. On August 22, 2008, Harbinger and SkyTerra filed applications with the FCC requesting the FCC Consent. The applications seeking the FCC Consent have been amended from time to time, including a minor amendment filed on October 5, 2009, that among other things informed the FCC that the proposed transfer of control will be implemented pursuant to the merger agreement. Applications also have been filed seeking FCC approval for the transfer of control of Inmarsat Hawaii Inc. and Inmarsat, Inc. from the shareholders of Inmarsat to Harbinger.

On December 8, 2008, approximately one month prior to Harbinger's scheduled purchase of the first tranche of \$150 million of the 2009 Notes, Harbinger requested, pursuant to the terms of the SPA, SkyTerra's assistance to confirm that all of the conditions to Harbinger's funding obligation were satisfied. Over the course of the next month, Harbinger conducted an extensive due diligence review of SkyTerra LP. In connection with its investigation, Harbinger retained legal and financial experts, including, among others, Weil, Navigant Consulting, Inc., and Phil Rubin, to confirm, among other matters, the accuracy of representations and warranties with respect to SkyTerra LP's financial condition and operations, the compliance with certain covenants and requested assurances from SkyTerra LP as to its funding requirements through 2010. During such month, the parties engaged in extensive arm's length discussions as to whether all of Harbinger's funding obligations were satisfied. On January 7, 2009, after extensive negotiations and in order to provide SkyTerra with greater certainty that Harbinger would purchase the 2009 Notes and in light of the significant deterioration in market conditions, SkyTerra, SkyTerra LP and Harbinger agreed to amend the SPA related to the 2009 Notes to (i) increase the interest rate on the 2009 Notes from 16.0% to 18.0% and (ii) increase the number of warrants to be issued in connection with the issuance of the 2009 Notes from 25 million to 32.5 million. Additionally, SkyTerra, SkyTerra LP and Harbinger agreed to amend the MCSA to provide

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SkyTerra LP greater latitude in its discussions with potential strategic partners. Such amendment provided SkyTerra with the ability to have discussions and negotiations with potential strategic partners so long as no binding agreement was reached without Harbinger's prior written consent.

The first tranche of \$150 million of 2009 Notes was issued to Harbinger on January 7, 2009 accompanied by the issuance of 7.5 million warrants with an exercise price of \$0.01; the second tranche of \$175 million of 2009 Notes was issued to Harbinger on April 1, 2009 accompanied by the issuance of 21.25 million warrants with an exercise price of \$0.01; and the third tranche of \$75 million of 2009 Notes was issued to Harbinger on July 1, 2009. In the merger agreement, SkyTerra and Harbinger agreed to postpone the issuance of the fourth, and final, tranche, in the amount of \$100 million of 2009 Notes that was scheduled to close on January 4, 2010 accompanied by the issuance of 3.75 million warrants, with an exercise price of \$0.01. See *The Merger Agreement Amendment to Existing SPA* beginning on page 74.

Purchase of 23.6 Million Shares of SkyTerra Common Stock and Non Voting Common Stock from TerreStar. On September 12, 2008, SkyTerra entered into several agreements with TerreStar, one of which related to TerreStar's desired sale of certain of its holdings in SkyTerra to Harbinger. In exchange for TerreStar's agreement to provide SkyTerra rights to exchange its interest in TerreStar's non public subsidiary for shares in TerreStar, SkyTerra waived TerreStar's obligation incurred in the 2006 Rollup to use its commercially reasonable efforts to distribute 29,926,074 shares of Non Voting Common Stock of SkyTerra to TerreStar's stockholders. This waiver enabled TerreStar to be in a position to sell its interests in SkyTerra. TerreStar thereafter sold 23,626,074 shares of Non Voting Common Stock to Harbinger (of which 7,906,737 shares were placed in escrow pending the receipt of the FCC Consent for \$4.15 per share). Following such sale, SkyTerra agreed, subject to certain conditions, to exchange such shares of Non Voting Common Stock for shares of Common Stock, at any time and from time to time, upon the request of Harbinger. 6,353,915 shares of Non Voting Common Stock have been exchanged for shares of Common Stock.

Purchase of 1.6 Million Shares of Common Stock in Open Market Purchases. During January and February 2009, Harbinger purchased an aggregate 1,634,708 shares of Common Stock in open market transactions at purchase prices ranging from \$1.43 to \$4.69 per share.

The Master Fund held Common Stock in an account at Lehman Brothers International (Europe) (LBIE). On September 15, 2008, LBIE was placed into administration under United Kingdom law and four partners of PriceWaterhouseCoopers LLP were appointed as joint administrators. The joint administrators have advised that 1,113,197 shares of Common Stock were rehypothecated. The Master Fund believes at this time that such shares of Common Stock will not be recoverable.

As a result of the above transactions, as of April 1, 2009, Harbinger's ownership of SkyTerra consisted of 22.3 million shares of Common Stock, 58.7 million shares of Non Voting Common Stock (including warrants to acquire shares of Capital Stock at an exercise price of \$0.01 per share) and 10.0 million shares of Capital Stock (consisting of a mix of Common Stock and Non Voting Common Stock) held in escrow agreements which will be transferred to Harbinger upon receipt of the FCC Consent. As reported by Harbinger, in a report filed with the SEC on Schedule 13D on October 16, 2009, Mr. Falcone beneficially owned (within the meaning of the SEC's rules) 69.4% of SkyTerra's Common Stock as of October 16, 2009.

***SkyTerra Strategic Review***

Concurrent with Harbinger's investment activities in SkyTerra, the SkyTerra board of directors, consisting of a majority of independent and disinterested directors, along with the special committee and its outside legal and financial advisors, were actively evaluating potential strategic alternatives available to SkyTerra. In SkyTerra's view, the \$500 million funding commitment obtained from Harbinger in July 2008 provided the capital necessary to fund SkyTerra's business operations through the third quarter of 2010. As such, SkyTerra was focused on executing one or more strategic alternatives prior to the end of this funded period. The primary

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strategic alternatives included (i) the closing of a potential SkyTerra/Inmarsat combination, (ii) attracting a strategic partner to pursue an integrated satellite terrestrial ( mobile satellite services ancillary terrestrial component services or MSS ATC ) opportunity in the North American market, (iii) development of an MSS only business plan anchored by a core satellite roaming partner, and/or (iv) a sale of SkyTerra. In considering its alternatives, SkyTerra, consistent with its obligations under the MCSA, continued to support Harbinger's activities in connection with the potential SkyTerra/Inmarsat combination.

In the next approximately nine months following the signing of the MCSA in July 2008, SkyTerra continued to support implementation of the MCSA while simultaneously pursuing strategic investments and business opportunities consistent with the commitments made in the MCSA and SkyTerra's view that an acquisition of Inmarsat pursuant to the MCSA would be more beneficial to the interests of SkyTerra and its stockholders than the transactions contemplated by the Cooperation Agreement. This had been discussed by Mr. Good on quarterly earnings calls with investors subsequent to the execution of the MCSA. In the view of SkyTerra management and the board of directors, the process for regulatory approvals and financing for the possible offer for Inmarsat was extended, in part, as a result of the change in political administration in the United States as well as challenging and illiquid capital markets and the impact of the credit crisis. In a March 4, 2009 letter, Harbinger and SkyTerra requested that the FCC process the applications proposing a transfer of control of SkyTerra LP's FCC licensed subsidiary to Harbinger separately from the applications for transfer of control of Inmarsat. The SkyTerra management and board of directors were made aware of the increasing uncertainty that the acquisition of Inmarsat could be financed and closed prior to the depletion of SkyTerra's available funding. In April 2009, the board of directors authorized the special committee to work with SkyTerra management, Morgan Stanley and Skadden to analyze funding and restructuring alternatives in light of the foregoing uncertainties.

On June 9, 2009, with Morgan Stanley's encouragement, SkyTerra held a meeting of the board of directors to discuss the recent bankruptcy filing of DBSD North America (a mobile satellite services provider), which we refer to as ICO, and the implications of such bankruptcy filing for SkyTerra. At the meeting, Morgan Stanley observed that the capital markets for new issue debt financings for spectrum backed entities remained illiquid and unavailable to ICO. Morgan Stanley noted that strategic interest from third parties for ICO's assets was limited prior to the bankruptcy filing and that, as a result, the value of the equity interests in ICO was likely to be severely impaired in the bankruptcy proceeding based on indicative value ranges implied by the contemplated restructuring.

Morgan Stanley further noted that while SkyTerra did possess sufficient financial resources to fund its business operations through the third quarter of 2010, securing funding from financial and/or strategic investors in the current economic environment would prove challenging. Morgan Stanley noted that third parties identified by management as most likely to be interested in providing funding or proposing an acquisition of SkyTerra had chosen not to provide funding to or propose an acquisition of ICO to date, nor to commit the capital necessary to support a new 4G network deployment. In Morgan Stanley's judgment, the board would be warranted in exploring ways to restructure SkyTerra's debt obligations and other liabilities, including payments to Boeing and other vendors, to extend SkyTerra's ability to fund its business operations beyond the third quarter of 2010.

In July 2009, Morgan Stanley met with the SkyTerra board of directors and provided the board of directors with a preliminary overview of SkyTerra's strategic and financing alternatives.

The alternatives discussed included a cash preservation scenario, a sale of the company, and a restructuring of SkyTerra's capital structure as described below:

The cash preservation scenario included reduced discretionary spending and postponement of SkyTerra's next generation MSS development program. SkyTerra's next generation MSS development program includes costs associated with the development of next generation operating support and business support systems (OSS/BSS), systems integration, core network and development of next

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generation MSS devices. While the cash preservation scenario would generate near-term cash savings, such efforts would present significant incremental costs to SkyTerra to complete its development efforts, present regulatory and licensing risks, and would have little to no impact on extending the Company's funding runway from the end of the third quarter of 2010 given the magnitude of debt repayments and cash interest due in the fourth quarter of 2010.

The Company had been actively pursuing a major strategic partner for a considerable period of time. In addition, during early to mid 2009 the Company had pursued and encouraged such parties to submit indications of interest to make an investment in and/or acquire the Company. No such partnering efforts were successful and no bona fide offers were received. Moreover, the Company's limited existing cash availability, limited funding options, debt covenant restrictions and highly leveraged balance sheet were all factors that were negatively affecting the Company's ability to receive attractive investment proposals and/or offers to purchase the Company.

A restructuring of SkyTerra's capital structure included a review of a potential debt for equity exchange, a recapitalization and/or modifications to existing vendor and/or other contracts. Given SkyTerra's significant debt leverage and modest equity capital base a significant debt for equity exchange or recapitalization would have resulted in substantial dilution to SkyTerra's existing shareholders and modifications to existing vendor contracts would not have materially changed the Company's funding runway or financial position.

Morgan Stanley stated that it believed it unlikely that the debt or equity markets would be able to provide financing based on the underlying value of SkyTerra's spectrum prior to the depletion of the Company's cash resources.

Morgan Stanley did not address a potential acquisition by Harbinger but noted, as a comment to the three alternatives it was considering, that a take-private discussion may also become an element of any restructuring discussion with Harbinger. From the perspective of the SkyTerra minority, potential take-private transactions will need to be evaluated in the context of value realization/recovery in a restructuring, a combination with Inmarsat and a potential strategic sale in the future. Morgan Stanley's July 30, 2009 presentation also contained information related to the potential cost to Harbinger of a take-private transaction. This sensitivity analysis used a range of SkyTerra stock prices from \$3.00 to \$10.00 and an assumption that a range of the top eight non-Harbinger shareholders from between 0% and 100% were permitted to roll their existing equity in SkyTerra for equity in the surviving corporation (which was not a feature of the merger as proposed). Such illustration showed minority buy-out costs to Harbinger varying from \$50 million to \$558 million.

At that meeting, Morgan Stanley also pointed out that while SkyTerra owned and controlled potentially valuable long term assets, realizing the value of those assets (and financing and completing a transaction to acquire Inmarsat) had become more difficult due to a number of factors, including the credit crisis, significant downturn in the economy, bankruptcy filing by ICO, and reluctance by other strategic parties in the near term to commit to a new fourth generation broadband network opportunity.

During the July 2009 meeting of the board of directors, SkyTerra management was directed to develop recommendations to reduce cash burn (and thereby extend the funding availability period) and to work with Morgan Stanley to further explore potential strategic and financial alternatives available to SkyTerra.

On July 24, 2009, SkyTerra selected a new launch window for its SkyTerra 1 satellite of August through October 2010 (as compared to the previous March through May 2010 window) based on a potential delay in delivery of SkyTerra 1 after receiving the most recent estimated delivery information from Boeing Satellite Systems (the manufacturer of the SkyTerra 1 satellite).

During an August 12, 2009 meeting of the board of directors, SkyTerra management provided the board of directors and Morgan Stanley with a summary of strategic and financing alternatives available to SkyTerra.

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Because SkyTerra lacked assurance that the Inmarsat transaction could be financed and completed prior to the third quarter of 2010, coupled with the lack of any apparent imminent strategic partnering transaction available to SkyTerra, the SkyTerra management provided additional perspectives on the other primary strategic alternatives. Such potential alternatives included doing nothing, modifying the MCSA, pursuing a debt-for-equity exchange, extending the funding run-way, a sale of SkyTerra to Harbinger and a strategic investment in or sale of SkyTerra to a third party. Given Harbinger's anticipated position following receipt of the FCC Consent with respect to the pending change of control application, if and when received, and the belief of the board of directors that Harbinger held a majority position in SkyTerra's debt securities and Harbinger's potential interest in a SkyTerra/Inmarsat combination, it was concluded that a potential sale of SkyTerra would likely be most attractive to Harbinger. A review and assessment of other potential strategic partners was also discussed. The board of directors was informed that potential partnerships had been explored at length with the assistance of several investment bankers, members of management and the board of directors as well as other stockholders, without any indications of interest in any transaction having been received within the necessary timeframe for funding requirements.

Since SkyTerra received its ATC authorization and license from the FCC in 2005, its business plan has been to finance and build out a multi-billion dollar MSS/ATC network which is predicated on attracting an anchor strategic partner. During 2005 and 2006, SkyTerra worked with an investment bank as its financial advisor in search of strategic partners. After much effort, that process was unsuccessful in attracting a strategic partner for SkyTerra. Throughout 2007 and early 2008, at least five investment banks had met with and or encouraged strategic partners to invest in SkyTerra. None of those discussions were successful. During the period July 2008 to January 2009, due to covenant restrictions under the MCSA with Harbinger, SkyTerra's dialogues with potential strategic partners was limited. In January 2009, amendments to the MCSA were negotiated which provided SkyTerra greater flexibility in conducting strategic dialogues. Thereafter, SkyTerra reinitiated strategic discussions with a number of potential partners, seeking offers from them to invest in or acquire a significant position in SkyTerra, yet no offers were received or serious ongoing interest displayed.

Further, the experience of another satellite provider who had entered bankruptcy (ICO) was presented by Morgan Stanley as indicating that SkyTerra's experience to date in strategic discussions was what should have been expected in light of the inability of ICO to obtain financing given market conditions. Morgan Stanley indicated to the SkyTerra Board of Directors that given market uncertainties, it would be highly unlikely SkyTerra would be able to attract a strategic investment under current market circumstances.

### ***Expanded Mandate of Special Committee and Events Leading to Execution of Merger Agreement***

At the August 12 meeting of the board of directors of SkyTerra, after considering the alternatives available to SkyTerra, the board of directors agreed to expand the role of the special committee to include discussions with Harbinger regarding SkyTerra's strategic position and Harbinger's position with respect thereto, which might include negotiation of a potential sale of SkyTerra to Harbinger. In addition, Alex Good, Chief Executive Officer of SkyTerra, and Scott Macleod, Chief Financial Officer of SkyTerra, were authorized by the board of directors to gauge Harbinger's interest in engaging in discussions with the special committee regarding such position, including the potential sale of SkyTerra to Harbinger.

In the summer of 2009, as Harbinger continued to consider its investments in the wireless industry and its ability to rationalize and maximize the value of these investments, potential options for its investment in SkyTerra were reviewed with the assistance of UBS. At a meeting held on August 13, 2009, Mr. Falcone discussed with UBS possible alternatives for Harbinger's wireless assets, including a potential acquisition of SkyTerra by Harbinger as well as potential post-acquisition strategies involving SkyTerra. Among other things, structuring and timing considerations for a potential transaction, SkyTerra's capitalization, ownership interests of certain SkyTerra stockholders and SkyTerra's historical stock price performance, liquidity and outstanding debt were discussed. A copy of the discussion materials, prepared as of July 13, 2009 with the assistance of Harbinger's legal counsel, that were reviewed with Mr. Falcone on August 13, 2009 by UBS, is attached as an exhibit to the Schedule 13E-3. See [Where You Can Find More Information](#) beginning on page 94.

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After further considering potential options with respect to SkyTerra, Mr. Falcone directed representatives of Harbinger to analyze Harbinger's options, including a potential going-private transaction. Thereafter, on August 21, 2009, the Harbinger Filing Parties amended their Schedule 13D to include the following statement:

taking into account all other Shares owned by the [Harbinger], [Harbinger] would own a majority of the issued and outstanding Shares and would be entitled to elect the Board of Directors of the Issuer and implement other corporate governance changes.

In addition, [Harbinger] [is] analyzing and considering, among other options, (i) the purchase or other acquisition of additional shares of stock of [SkyTerra] or securities exercisable or exchangeable for such shares (collectively, [SkyTerra] Securities ) in the open market, in privately negotiated transactions, or otherwise, including the possibility of acquiring, through a merger or otherwise, some or all of the issued and outstanding shares of [SkyTerra]'s stock not owned by [Harbinger], or assets of [SkyTerra] (in each case, subject to any applicable requirements under law) or (ii) a restructuring of [SkyTerra]'s capital structure. However, it should not be assumed that any definitive plan or proposal to acquire such additional [SkyTerra] Securities, or for a merger, restructuring or other transaction, will be pursued or effected, and [Harbinger] make[s] no commitment (a) as to whether any of the foregoing will be pursued or effected, and (b) if any of the foregoing are pursued or effected, as to the timing, prices, terms and conditions that would be applicable.

On September 1, 2009, the special committee met, and Mr. Good provided the special committee with an update regarding FCC regulatory actions with respect to Harbinger's change of control application. Mr. Good also noted that Harbinger had received clearance under HSR and CFIUS from the relevant governmental agencies. Mr. Good further discussed that he and Mr. Macleod had a meeting set for the next day with Harbinger. Mr. Macleod described the presentation which he and Mr. Good planned to make to Harbinger and the special committee approved the use of such presentation. Mr. Cecin summarized his review, which had followed the August 12 meeting of the board of directors, with Skadden and management with respect to meeting with Harbinger and potential strategic and financial alternatives which might be considered, as well as the legal and contractual parameters applicable to such alternatives. The special committee authorized Messrs. Cecin, to be accompanied by Messrs. Good and Macleod, to meet with Mr. Falcone and seek to understand his perspectives on other possible alternatives, but not to engage in the negotiation of any transaction without further guidance and authorization from the special committee.

On September 2, 2009, Messrs. Good and Macleod met with Mr. Falcone. Mr. Falcone indicated that he would be interested in engaging in discussions with Mr. Cecin, as Chairman of the special committee, with respect to potential transactions, and that he would be available to meet on Tuesday, September 8, 2009.

The special committee met again on September 3, 2009, and thereupon authorized Mr. Cecin to engage in negotiations with Mr. Falcone with respect to the terms of a potential acquisition of SkyTerra by Harbinger, to seek the assistance of management and the special committee's legal and financial advisors to assist in the preparation for discussions, and to return to the special committee with recommendations as to a potential transaction.

On September 8, 2009, Messrs. Cecin, Good and Macleod met with Mr. Falcone. Mr. Falcone confirmed Harbinger's interest in exploring a potential transaction to acquire SkyTerra. At such meeting, Mr. Falcone stated a view that while the spectrum holdings of SkyTerra were a valuable asset of SkyTerra, there continued to be a need both for additional financing and a broader business solution for SkyTerra. Mr. Falcone stated he could envision a transaction at the \$4 per share level or perhaps as high as \$4.50 per share but in no event would Harbinger consider a transaction that is conditioned upon a majority of the minority stockholders approving the transaction in the stockholder vote. Mr. Cecin indicated the special committee was seeking a price greater than \$5 per share but that he would report his discussion with Mr. Falcone to the special committee for consideration.

After Mr. Falcone's meeting with Messrs. Cecin, Good and Macleod, Mr. Falcone met with Harbinger's legal and financial advisors to review alternative potential acquisition structures, including a tender offer

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(conditioned upon the tender of a majority of the shares held by unaffiliated stockholders), a merger to be negotiated with a special committee of SkyTerra's board of directors or privately negotiated purchases of shares directly from SkyTerra's stockholders, as well as timing of these alternative acquisition structures, the potential impact of transaction structures on transaction certainty, required regulatory approvals and the roles of SkyTerra's management and directors. A copy of the discussion materials, prepared with the assistance of Harbinger's legal counsel, that were reviewed with Mr. Falcone by UBS on September 8, 2009, as well as certain information subsequently prepared by UBS for Harbinger regarding the estimated cash required to effect the proposed acquisition, are attached as exhibits to the Schedule 13E-3. See "Where You Can Find More Information" beginning on page 94. At this meeting, Mr. Falcone updated those in attendance of his earlier conversations with the chairman of the special committee and management, and outlined the terms which he deemed necessary for any deal with the special committee.

Later that same day, the special committee met and heard a report of the meeting with Mr. Falcone and the price discussion. The special committee considered such price discussion with reference to recent reported trading prices for the Common Stock, which had ranged from \$2.78 to \$3.45 per share since August 1, 2009. The special committee authorized Mr. Cecin to go back to Mr. Falcone to negotiate a higher price and obtain the majority of the minority condition to the transaction. The special committee also noted that it would be appropriate for Harbinger to engage counsel to proceed towards a draft potential merger agreement which could be negotiated and presented to the board of directors for review.

On September 9, 2009, Mr. Cecin had a telephone call with Mr. Falcone to follow up on their discussion of the previous day with respect to terms for a potential transaction to acquire the minority equity interest in SkyTerra. Mr. Falcone confirmed that a SkyTerra request for a majority of the minority vote condition in a transaction would be a deal breaker. He also confirmed his view that any price above \$5 per share would not be of interest to Harbinger at such time, and stated that if a price in excess of that was required in order to effectuate a transaction that Harbinger would then elect to postpone consideration of a transaction. Mr. Cecin told Mr. Falcone that the special committee was not willing to agree to a transaction which did not provide at least \$5 per share. Mr. Falcone responded that Harbinger would be willing to look at a \$5 per share offer conditioned upon a waiver of the condition that there be a majority of the minority vote in the transaction. Mr. Cecin informed Mr. Falcone that if other terms and conditions were acceptable to the special committee, the special committee would proceed with a transaction without a majority of the minority condition. After a brief process discussion, Mr. Falcone advised Mr. Cecin that SkyTerra's counsel, Skadden, should contact Harbinger's counsel, Weil, to discuss moving forward to have further discussions concerning a potential transaction. Later that day, the special committee met again to discuss in detail the discussions with Harbinger.

Skadden was instructed to prepare a draft merger agreement, and on September 11, it delivered such a draft to Weil.

On September 16, 2009, the board of directors held a special meeting. At such meeting, Mr. Good discussed SkyTerra's financial position, including the Company's existing cash and funding availability, upcoming significant capital requirements in the fourth quarter of 2010, limitations on the ability to raise additional equity or debt based on contract covenant restrictions and market conditions, as well as the company's inability to conclude any agreement with strategic investors over the past five years. Mr. Good also stated that while SkyTerra held strategic discussions with a number of potential partners seeking offers from them to invest in or acquire a significant position in SkyTerra, no such offers were received or serious ongoing interest displayed. Finally, Mr. Good concluded that none of the Company's strategic and/or financing alternatives were meeting with genuine counterparty interest or were subject to probable execution in the foreseeable future given the Company's lack of liquidity and limited funding runway.

After Mr. Good described the discussions with Harbinger at length on September 8 and 9, Mr. Cecin affirmed Mr. Good's report on such discussions and tone of the meetings held with Mr. Falcone and further expressed his view that Harbinger would not agree to a deal above \$5 per share. He also reiterated that

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Mr. Falcone had made it clear that if SkyTerra insisted on a majority of the minority condition in the agreement it would be a deal breaker from Harbinger's perspective.

Mr. Good concluded the September 16 meeting with a general update of SkyTerra's business operations and outlook. He gave a brief overview of the industry in general and the status of MSS-ATC players within the industry and the specific positives SkyTerra was experiencing. He highlighted also the imminent challenges to be overcome with respect to funding SkyTerra including timing and other negative indicators in the market, such as the ICO bankruptcy and the exhausted financial reserves of certain of the major terrestrial players due to recent spectrum transactions and general economic conditions. He summarized that generally SkyTerra has had positive development and growth but could not sustain this without a near and longer term solution for funding.

On September 17, 2009, a confidentiality agreement between Harbinger and SkyTerra was executed and Harbinger, its legal and financial representatives and other consultants commenced an extensive due diligence review of SkyTerra over the next five days, including physical visits to SkyTerra's offices, meetings with SkyTerra management and receipt of financial and operating information.

On September 18, 2009, Weil provided a revised draft of the merger agreement to Skadden, to which Skadden responded on September 20. Skadden's comments with respect to Weil's draft of September 18 related principally to various conditions requested by Harbinger (including as to percentage of dissenting shares, nature of FCC order and absence of stockholder litigation). The parties also discussed the treatment of BCE in the transactions and a request by SkyTerra that Harbinger take no action to remove the current members of the SkyTerra board of directors or change the Bylaws to increase the number of board members while the merger agreement remains in effect.

On September 22, 2009, a Harbinger representative informed Mr. Cecin that Harbinger had concluded their analysis and consideration of options related to their investment in SkyTerra (including the possibility of acquiring all of the outstanding shares of Capital Stock not currently owned by Harbinger and its affiliates) and their due diligence review of SkyTerra. At that time, the Harbinger representative informed Mr. Cecin that Harbinger would agree to a transaction to acquire all of such outstanding shares of Capital Stock at \$5 per share.

On the morning of September 22, Weil sent Skadden a revised draft of the merger agreement. In a series of discussions and written communications on September 22, the parties engaged in arm's length negotiations over a number of issues, including:

The condition related to the percentage of dissenting shares. SkyTerra proposed a condition of no less than 10% of the outstanding shares, while Harbinger continued to require a 5% of outstanding level.

The timing and scope of the SkyTerra 2009 bonus pool.

The timing of the termination date (so called "drop dead" date) at which time a party could terminate the merger agreement if the transaction had not then been consummated. In the September 22 merger agreement draft, Harbinger proposed a bilateral date of February 28, 2010 with a unilateral Harbinger right to extend to May 31, 2010 in order to satisfy the FCC regulatory condition. SkyTerra requested a March 30, 2010 date with either an automatic or bilateral extension for additional time to satisfy the FCC regulatory condition.

Various provisions related to the conduct of SkyTerra business during the executory period, including their relationship to a covenant on cash utilization which Harbinger requested in its September 22 draft.

The nature of further actions that could be taken by SkyTerra under the Inmarsat Cooperation Agreement.

Whether the nature of the required efforts to obtain governmental consents, including FCC approval, would be reasonable efforts, as requested by Harbinger, or reasonable best efforts, as requested by SkyTerra.





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At a board meeting on September 22, the board of directors reviewed the background of the transaction, the proposed terms of the merger agreement and a financial presentation by Morgan Stanley. The board of directors and its advisors concluded none of the various possible alternatives provided a present or reasonably foreseeable path to obtain comparable value. The board meeting then adjourned, at which time the special committee met with Morgan Stanley and received its oral financial opinion. Subsequently, the board of directors reconvened the board meeting and, following its receipt of the recommendations of the special committee and the Morgan Stanley Opinion, approved and authorized the merger agreement. During the break from such board meeting and following the special committee meeting, Mr. Cecin and Ms. Corrine Glass from Harbinger agreed on certain final provisions, including setting the condition related to the percentage of dissenting shares at 7.5% of the fully diluted outstanding shares and agreeing to a March 31, 2010 termination date (with Harbinger having the right to extend to June 30, 2010), the addition of representations, warranties and covenants related to SkyTerra's Canadian joint ventures, and a reasonable best efforts provision with respect to governmental consents.

After additional negotiation, the special committee met and unanimously approved and authorized the merger agreement and determined that the proposed merger and the terms and provisions of the merger agreement were substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders and that the merger was advisable. Based on such determinations, the special committee recommended to the SkyTerra board of directors approve and authorize the merger agreement and the transactions contemplated thereby. On the evening of September 22, the board of directors concluded that the transaction was in the best interests of SkyTerra and its stockholders, and unanimously voted to approve and authorize the merger agreement (one director was absent from the meeting and, on September 30, 2009, expressed his concurrence with the actions of the board of directors). On September 23, 2009, the merger agreement was executed and announced.

Following announcement of the execution of the merger agreement, certain putative shareholder class actions (the "Actions") challenging the merger were filed in the Delaware Court of Chancery. In late October and early November 2009, following consolidation of the various putative shareholder class actions by the Delaware Court of Chancery on October 28, 2009, SkyTerra and Harbinger began engaging in arms-length negotiations with the Co-Lead Counsel for plaintiffs in an effort to reach a global settlement of all of the Actions. The parties held extensive discussions at various times in an effort to fully resolve the claims and Co-Lead Counsel's demands with respect to the merger. On November 18, 2009, as a result of, among other things, discussions between and among such parties, SkyTerra, Harbinger and the appointed plaintiffs entered into a Memorandum of Understanding pursuant to which the parties agreed that in consideration for the full settlement and release of all settled claims: (i) the preliminary proxy would include certain disclosures requested by Co-Lead Counsel; (ii) the merger agreement would be amended to include a non-waivable majority of the minority stockholder vote requirement and (iii) SkyTerra will convene a meeting of stockholders for the purpose of electing directors in the event that the merger is not consummated on or before March 31, 2010. SkyTerra, Harbinger and the plaintiffs have further agreed that SkyTerra will consider additional supplemental disclosures to be provided to SkyTerra stockholders in connection with the merger based on reasonable request by and discussions with Co-Lead Counsel. On the evening of November 6, 2009, the special committee recommended and the board of directors concluded that the Memorandum of Understanding and the proposed amendments to the merger agreement were in the best interests of SkyTerra and its stockholders, and unanimously voted to approve and authorize the Memorandum of Understanding and the First Amendment. On November 18, 2009, the SkyTerra and the Harbinger Parties executed the First Amendment to the merger agreement, in order to effect the terms contemplated by the Memorandum of Understanding.

### **Position of SkyTerra as to the Fairness of the Merger; Recommendation by SkyTerra's Special Committee and Board of Directors**

On September 22, 2009, the special committee determined that the proposed merger and the terms and provisions of the merger agreement were substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders and that the merger was advisable. Based on such determinations, the

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special committee recommended to the board of directors that the board of directors approve and authorize the merger agreement and the transactions contemplated thereby.

At a special meeting of the board of directors held immediately following the special committee's determination, at which all but one of the directors of SkyTerra were present, the board of directors considered the recommendation of the special committee. The board of directors concluded that the terms and provisions of the merger agreement and the proposed merger were substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders and that the merger was advisable, approved and authorized the merger agreement and recommended that SkyTerra's stockholders adopt the merger agreement. The absent member of the board of directors subsequently indicated his approval of the resolutions adopted at the board meeting.

In evaluating the fairness and advisability of the merger agreement and the related merger, the special committee and the board of directors considered the following factors, each of which the special committee and the board of directors believe supports their determination as to fairness:

**Morgan Stanley Opinion.** The special committee considered the financial presentation of Morgan Stanley and Morgan Stanley's oral opinion delivered to the special committee (which opinion was subsequently confirmed in writing) to the effect that, as of September 22, 2009 and based upon and subject to the various assumptions, qualifications and limitations set forth in its opinion, the \$5.00 per share price was fair to SkyTerra's stockholders (other than Harbinger and its affiliates) from a financial point of view, as more fully described under "Opinion of the Special Committee's Financial Advisor" beginning on page 41. The full text of the Morgan Stanley Opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix C to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the Morgan Stanley Opinion carefully and in its entirety. The opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by SkyTerra's stockholders (other than Harbinger and its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement.

**Market Price and Premium.** The special committee and the board of directors considered the historical market prices of Common Stock and noted that the proposed consideration of \$5.00 per share represented a premium of approximately 47% over the \$3.40 closing price on September 22, 2009, the last trading day prior to the execution of the merger agreement, and a premium of approximately 63% over the \$3.07 ninety day average closing price.

**Lack of Alternative Acquisition Proposals.** Based on the discussions between SkyTerra and various industry participants, and the views of management and Morgan Stanley with respect thereto, the special committee and the board of directors concluded that it was unlikely that a credible competing offer for SkyTerra could be obtained at a price higher than \$5.00 per share. This conclusion was also supported by the fact that Harbinger and its affiliates own a significant portion of SkyTerra's outstanding Capital Stock, and therefore any sale of SkyTerra to a third party would effectively require the approval of Harbinger, which the special committee and board of directors did not believe that Harbinger would be willing to provide under the circumstances. See "Background of the Merger" beginning on page 21.

**Terms of the Merger Agreement.** The special committee and the board of directors also considered the other terms of the proposed merger agreement, including the fact that completion of the proposed merger is not subject to a financing condition, that there are relatively few closing conditions to the merger and that there is no regulatory approval necessary to consummate the merger other than the approval of the FCC. Accordingly, the special committee and the board of directors believed that there is a high likelihood that the merger will be consummated.

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Negotiations Conducted by Special Committee. The special committee and the board of directors considered the fact that the merger agreement and the transactions contemplated thereby were the product of negotiations between Harbinger and the special committee and that no member of the special committee was employed by or affiliated with SkyTerra (except in his capacity as a director) or had any economic interest in Harbinger or its affiliates.

Nature of Challenges and Strategic Alternatives. The special committee and the board of directors considered the challenges facing SkyTerra, including:

the projected cash needs and debt service obligations facing SkyTerra and the apparent lack of available capital sources within the necessary timeframe;

the strategic challenges to SkyTerra and the conditions facing the ATC, satellite and related industries, including the ICO bankruptcy, developments in the wireless industry and the impact of recent spectrum auctions in the 700 MHz and AWS bands; and

the constraints on flexibility facing SkyTerra as a result of the dominance of Harbinger in its capital structure and the financial and operating covenants contained in the MCSA.

Ability to Change Recommendation and to Terminate the Merger Agreement. The special committee and the board of directors considered the terms of the proposed merger agreement, including the merger agreement provisions permitting SkyTerra to:

after compliance with certain procedural requirements, change its recommendation in response to a superior proposal or intervening event; and

terminate the merger agreement if (a) the board of directors authorizes SkyTerra to enter into any acquisition agreement with respect to a superior proposal, after SkyTerra gives Harbinger five business days notice of, among other things, SkyTerra's intent to terminate the merger agreement and (b) Harbinger does not make, within the five business days notice period, an offer that SkyTerra's board of directors determines is at least as favorable as the superior proposal. See Merger Agreement Change in Recommendation beginning on page 72.

Absence of a Termination or Break up Fee. The special committee and the board of directors considered that the merger agreement does not require SkyTerra to pay a termination or break up fee if the board of directors terminates the merger agreement to enter into an acquisition agreement with respect to a superior proposal.

Merger Consideration. The special committee and the board of directors concluded that the merger consideration was likely the highest price reasonably attainable for SkyTerra's stockholders in a merger or other acquisition transaction.

Availability of Appraisal Rights. The special committee and the board of directors also considered the fact that rights of appraisal would be available to SkyTerra's stockholders under Delaware law. See Rights of Appraisal beginning on page 63.

Required Minority Vote. The merger is conditioned upon a majority of the outstanding Eligible Shares being present in person or by proxy, and being voted at the annual meeting, and a majority of such Eligible Shares shall have voted in favor of the adoption of the merger agreement.

Limited Near Term Requirements for Spectrum Assets and Significant Cost of 4G Network Deployment. While the demand for SkyTerra's spectrum assets is potentially significant in the long term, several factors have made a near term realization of value challenging, including but not limited to (i) a number of potential strategic partners had satisfied their near term spectrum requirements in the FCC's AWS and 700 MHz spectrum auctions and/or committed themselves to alternative broadband platforms, and (ii) the significant costs associated with a nationwide 4G network deployment greatly limited the number of potential buyers and/or potential partners, particularly given the current economic environment.

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The special committee and the board of directors considered the position of BCE Inc., which we refer to as BCE, with respect to the proposed merger, concluding that it was likely BCE would assent to the transaction and thus assumed BCE's potential reaction was a neutral factor.

The special committee and the board of directors also considered the following potentially negative factors:

**Risk of Non-Completion.** The special committee and the board of directors considered the risk that the proposed merger might not be completed due to the failure of a condition, such as the condition with respect to a limitation on dissenting shares, and the effect of the resulting public announcement of termination of the merger agreement on:

the ability to otherwise obtain necessary capital;

the market prices of Common Stock;

SkyTerra's operating results, particularly in light of the costs incurred in connection with the transaction; and

SkyTerra's ability to attract and retain key personnel.

**Certain Changes in Strategic Direction and Contractual Relationships.** The special committee and the board of directors considered Harbinger's requirements that SkyTerra:

not take certain actions under its Cooperation Agreement with Inmarsat (see Merger Agreement Conduct of Business Pending the Merger beginning on page 70); and

extend the closing date under the SPA from January 4, 2010 to a date that is ten business days following the termination of the merger agreement (see Merger Agreement Amendment to Existing SPA beginning on page 74).

**Possible Disruption of Business.** The special committee and the board of directors considered the possible disruption to SkyTerra's business that may result from the announcement of the transaction and the resulting distraction of the attention of SkyTerra's management. The special committee and the board of directors also considered the fact that the merger agreement contains certain limitations regarding the operation of SkyTerra's business (including significant restraints on overall cash expenditures) during the period between the signing of the merger agreement and the completion of the proposed merger.

**Merger is a Taxable Transaction.** The special committee and the board of directors also considered that the receipt of the cash consideration by SkyTerra's stockholders pursuant to the merger would be a taxable transaction to the stockholders (see Material U.S. Federal Income Tax Consequences beginning on page 61).

**Future Growth.** The special committee and the board of directors considered the fact that if the proposed merger is adopted, SkyTerra's stockholders would not participate in any future growth of SkyTerra or potential increase in the value of its spectrum holdings.

In considering the fairness of the merger to SkyTerra's stockholders (other than Harbinger and its affiliates), the special committee and the board of directors considered whether the \$5.00 price per share represented fair value in relation to:

current and historical market prices for SkyTerra's Capital Stock;

implied equity value of SkyTerra's Capital Stock based on the trading of selected comparable companies with the addition of a control premium;

implied equity value of SkyTerra's Capital Stock relative to multiples paid in selected precedent transactions;

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implied equity value of SkyTerra's Capital Stock relative to premiums paid in selected precedent transactions;

implied equity value of SkyTerra's Capital Stock based on a discounted cash flow analysis derived by Morgan Stanley;

values attributable to the equity in a bankruptcy scenario; and

discounted cash flow analysis of SkyTerra's financial projections.

In each of these analyses, the cash consideration offered to SkyTerra's stockholders was within or exceeded the range indicated in the analysis. The special committee and the board of directors did not separately consider net book value, pre-merger going concern value or non-bankruptcy liquidation value in determining the fairness of the merger to SkyTerra's stockholders. The special committee and the board of directors note that SkyTerra continues to be viable as a going concern and that liquidation was not considered a viable alternative to SkyTerra remaining an independent business, or the sale of the company as a going concern. SkyTerra notes that \$5.00 per share for SkyTerra's common stock exceeds the net book value of SkyTerra's common stock of \$3.31 as of September 30, 2009.

Although the foregoing discussion sets forth all of the material factors considered by the special committee and the board of directors in reaching their recommendations, it may not include all of the factors considered by the special committee and the board of directors. Each director may have weighed these factors differently and considered additional factors. In view of the variety of factors and the amount of information considered, the special committee and the board of directors did not find it practicable to, and did not, make specific assessments of, quantify or otherwise assign relative weights to the specific factors considered in reaching their recommendations. The recommendations were made after consideration of all of the factors as a whole.

The special committee and the board of directors believe that the proposed merger is procedurally fair to SkyTerra's unaffiliated stockholders because, among other things: (1) the special committee consisted of independent directors of SkyTerra with no economic interest or expectation of an economic interest in Harbinger or its affiliates and was appointed by the board of directors to represent solely the interests of SkyTerra's unaffiliated stockholders and (2) the terms and conditions of the merger agreement resulted from arm's length bargaining between the special committee (and its counsel) and Harbinger (and its counsel), with each party benefiting from the support and advice of their respective financial advisors. The special committee and the board of directors believe that there were sufficient procedural safeguards to ensure fairness of the transaction and to permit the special committee to represent effectively the interests of SkyTerra's stockholders. An independent special committee is a mechanism well recognized under Delaware law to ensure fairness in transactions of this type. Accordingly, in view of the existence of the special committee and the special committee's retention of Morgan Stanley, there was no need for the board of directors to retain an unaffiliated representative to act on behalf of SkyTerra's stockholders in negotiating the terms of the transaction or in preparing a report on the fairness of the transaction.

The board of directors, after receiving the recommendation of the special committee, (1) has approved, declared advisable and authorized the merger agreement and the transactions contemplated thereby, including the proposed merger; (2) has determined that the proposed merger and the transactions contemplated thereby are substantively and procedurally fair to and in the best interests of SkyTerra's unaffiliated stockholders; and (3) recommends that SkyTerra's stockholders vote FOR the adoption of the merger agreement.

In considering the recommendation of the special committee and the board of directors with respect to the merger agreement, you should be aware that certain directors and officers of SkyTerra have arrangements that cause them to have interests in the transaction that are different from, or are in addition to, the interests of SkyTerra stockholders generally. See "Interests of SkyTerra Directors and Officers in the Merger" beginning on page 50.



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### **Position of the Harbinger Filing Persons as to the Fairness of the Merger**

Under the SEC rules, the Harbinger Filing Persons are required to provide certain information regarding their position as to the substantive and procedural fairness of the proposed merger to the unaffiliated stockholders of SkyTerra. The Harbinger Filing Persons did not undertake a formal evaluation of the fairness of the proposed merger and are making the statements included in this section solely for purposes of complying with such requirements. The views of the Harbinger Filing Persons with respect to the fairness of the merger are not, and should not be construed as, a recommendation to any stockholder as to how that stockholder should vote on the proposal to adopt the merger agreement.

No Harbinger Filing Persons participated in the deliberations of SkyTerra's directors regarding, and no Harbinger Filing Persons received advice from the special committee's legal or financial advisors as to, the fairness of the merger. The Harbinger Parties engaged UBS as financial advisor to provide certain financial advisory services with respect to the merger. UBS did not provide an opinion with respect to the fairness of the merger or the merger consideration.

The Harbinger Filing Persons believe that the merger is substantively fair to SkyTerra's unaffiliated stockholders based on, among other things, the following factors:

Notwithstanding Harbinger's significant ownership of voting securities of SkyTerra, the board of directors of SkyTerra does not include any person who is employed by or affiliated with Harbinger or who has a financial interest in Harbinger;

The special committee invited Harbinger to consider making a proposal to acquire all of the outstanding shares of SkyTerra that Harbinger did not own;

The special committee of SkyTerra's board of directors, which is comprised of three directors who are not affiliated with Harbinger and are not officers or employees of SkyTerra, unanimously concluded that the merger is fair to and in the best interests of the unaffiliated stockholders of SkyTerra, approved the merger agreement and the merger and recommended to the board of directors of SkyTerra that the board of directors of SkyTerra approve the merger agreement and that the merger agreement be submitted to the stockholders of SkyTerra for adoption;

The special committee was advised by its independent legal counsel and financial advisor in relation to the merger;

The special committee and the board of directors of SkyTerra received an opinion from the special committee's independent financial advisor, Morgan Stanley, to the effect that, as of the date of the opinion and subject to the various assumptions, qualifications and limitations set forth in its opinion, the merger consideration is fair to SkyTerra's stockholders (other than Harbinger and its affiliates) from a financial point of view. The full text of the written opinion, which we refer to as the Morgan Stanley Opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations of the reviews undertaken by Morgan Stanley in rendering its opinion, is attached as Appendix C to this proxy statement and is incorporated herein by reference. You are urged to, and should, read the Morgan Stanley Opinion carefully and in its entirety. The opinion was directed to the special committee and addresses only the fairness, from a financial point of view, of the merger consideration to be received by SkyTerra's stockholders (other than Harbinger and its affiliates). The opinion does not address any other aspect of the proposed merger nor does it constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to any matters relating to the merger agreement;

The consideration to be paid in the merger represents a 47% premium over the closing price of the SkyTerra common stock on the Over the Counter Bulletin Board for September 22, 2009, the last trading day prior to the date on which the merger was announced, and a 56% premium to the average closing price of the SkyTerra common stock on the Over the Counter Bulletin Board for the 30 trading days ended on September 22, 2009;



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The consideration to be paid in the merger represents a 9.9% premium to the highest closing price of the SkyTerra common stock on the Over the Counter Bulletin Board during that 52 week period ended on September 22, 2009 (\$4.55 on February 6, 2009), and a 395% premium to the lowest closing price of the SkyTerra common stock on the Over the Counter Bulletin Board during that 52 week period (\$1.01 on January 27, 2009);

The merger is conditioned upon a majority of the outstanding Eligible Shares being present, in person or proxy, and being voted at the annual meeting, and a majority of such Eligible Shares shall have voted in favor of the adoption of the merger agreement;

The special committee had the authority to reject any transaction proposed by Harbinger;

Other than Harbinger's proposal, SkyTerra did not receive any recent acquisition proposals for SkyTerra;

SkyTerra has never recorded a profit or generated cash flow from operations;

SkyTerra's remaining cost of carrying out its business plan is significantly more than SkyTerra's currently available and committed financial resources, and since January 2008, except for \$40 million of additional vendor financing provided by Boeing Satellite Systems Inc., Harbinger has been the sole source of financing for SkyTerra;

The consideration to be paid in the merger is all cash and is not subject to any financing condition, which provides certainty of value for SkyTerra stockholders;

Stockholders who do not vote in favor of the merger agreement and who comply with certain procedural requirements will be entitled, upon completion of the merger, to exercise statutory appraisal rights under Delaware law, which allows stockholders to have the fair value of their shares determined by the Delaware Court of Chancery and paid to them in cash; and

The merger will provide liquidity, without the brokerage and other costs typically associated with market sales, for SkyTerra's public stockholders whose ability to sell their shares of SkyTerra common stock is adversely affected by the limited trading volume and low public float of the shares.

The Harbinger Parties also believe that the proposed merger is procedurally fair to SkyTerra's unaffiliated stockholders based on, among other things, the following factors:

The special committee and its counsel negotiated all financial and other terms and conditions of the merger agreement on an arm's length basis with Harbinger and its counsel, with each party benefiting from the support and advice of their respective financial advisors. Harbinger and Acquisition Corp. did not participate in the deliberations of the special committee or the board of directors;

The special committee unanimously concluded that the merger is fair to and in the best interests of the unaffiliated stockholders of SkyTerra, approved the merger agreement and the merger and recommended to the board of directors of SkyTerra that the board of directors of SkyTerra approve the merger agreement and that the merger agreement be submitted to the stockholders of SkyTerra for adoption;

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The merger consideration and other terms and conditions of the merger agreement were the result of arm's length negotiations between Harbinger and the special committee and their respective financial and legal advisors;

The special committee had the authority to reject the transaction proposed by Harbinger;

There are no limitations on SkyTerra's ability to furnish information to and participate in discussions or negotiations with persons who might be interested in making an alternative acquisition proposal for SkyTerra;

Under the terms of the merger agreement, in certain circumstances prior to obtaining stockholder adoption of the merger agreement, the board of directors of SkyTerra is permitted to withdraw or modify its recommendation of the merger agreement; and

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Holders of SkyTerra Capital Stock who do not vote in favor of the merger agreement and who comply with certain procedural requirements would be entitled, upon completion of the merger, to exercise statutory appraisal rights under Delaware law, which allows stockholders to have the fair value of their shares determined by the Delaware Court of Chancery and paid to them in cash. Although Harbinger did not calculate a specific per share going concern value for SkyTerra, the Harbinger Filing Persons believe that the merger consideration is fair in relation to SkyTerra's going concern value per share based on their knowledge of SkyTerra's business and prospects, including the current challenges of SkyTerra's operating environment, the additional funding required by SkyTerra, the projections contained in this proxy statement, including the assumptions contained therein, SkyTerra's historical results of operations, and the Harbinger Filing Persons knowledge of SkyTerra's industry.

The Harbinger Filing Persons considered the \$5.00 value of the merger consideration in comparison to the average price paid by Harbinger for additional shares of common stock of SkyTerra from unaffiliated third parties in January 2008, February 2008, April 2008, July 2008 and September 2008, and the price to be paid by Harbinger for exercise of its warrants and the common stock to be issued by SkyTerra in connection with an Inmarsat offer, but did not place significant weight on such comparison because such purchases were made (or are to be made) at a negotiated premium to the prevailing market prices and because of the diminution in the value of SkyTerra since those times, including as a result of the negative developments with respect to SkyTerra's ability to obtain additional financing related to the volatility in the capital markets since such transactions.

The Harbinger Filing Persons did not consider SkyTerra's net book value or liquidation value in their evaluation of the fairness of the merger to the unaffiliated stockholders of SkyTerra because they did not believe that SkyTerra's net book value or liquidation value were material or relevant to a determination of the substantive fairness of the merger. The Harbinger Filing Persons did not believe that SkyTerra's net book value was material to their conclusion regarding the substantive fairness of the merger because, in their view, net book value is not indicative of SkyTerra's market value since it is a purely historical measurement of financial position in accordance with U.S. generally accepted accounting principles ( GAAP ) and is not forward looking or wholly based on fair value. In addition, net book value as of September 30, 2009 is substantially less than the value of the proposed merger consideration. The Harbinger Filing Persons did not consider the potential for alternative transactions involving SkyTerra (including a liquidation of SkyTerra) because the Harbinger Filing Persons did not intend to consider or participate in any alternative transaction involving a sale of or reduction of its investment in SkyTerra. As a result, the Harbinger Filing Persons did not evaluate the prices potentially attainable in an alternative transaction. The Harbinger Filing Persons are not aware of any offer during the last two years for SkyTerra and accordingly no comparison to any such offer was made.

The foregoing discussion of the information and factors considered and given weight by the Harbinger Filing Persons in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by the Harbinger Filing Persons. The Harbinger Filing Persons did not find it practicable to assign, and did not assign, relative weights to the individual factors considered in reaching their conclusion as to the fairness of the proposed merger. Rather, the determination of the Harbinger Filing Persons as to fairness was made after consideration of all of the foregoing factors as a whole. None of the material factors considered by the Harbinger Filing Persons failed to support their belief in the fairness of the merger.

## **Purposes and Effects of the Merger**

### ***SkyTerra's Purpose***

SkyTerra's choice to engage in the transaction at this time was driven by the amount of SkyTerra's existing cash in light of the upcoming significant capital requirements in the fourth quarter of 2010 and the limitations on

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the Company's ability to raise additional equity or debt based on contract covenant restrictions and market conditions, as well as the company's inability to conclude any agreement with strategic investors over a period of in excess of five years. SkyTerra determined that the market premium offered by Harbinger provided the most attractive transaction to the company, and that it was reasonable to conclude that delaying a transaction with Harbinger would be very unlikely to result in any favorable alternatives and would most likely result in a loss of the Harbinger opportunity in whole or an opportunity on less favorable terms as the company's financial resources declined.

### ***The Harbinger Filing Persons Purpose of the Merger***

The Harbinger Filing Persons' purpose for engaging in the merger is to increase Harbinger's ownership of SkyTerra common stock from its current position of approximately 46% of the outstanding voting shares and 48% of the outstanding Capital Stock to 100%, respectively. Upon completion of the merger, SkyTerra will become an indirect wholly owned subsidiary of Harbinger.

The purchase of all of the publicly held shares in SkyTerra will enable Harbinger to implement a business plan using SkyTerra's assets to develop, build and operate an integrated next generation mobile satellite system and terrestrial network in North America and Canada. This planned integration will give Harbinger access to SkyTerra's spectrum that is conducive for mobile and fixed broadband services, thereby increasing the ability of Harbinger to pursue opportunities for possible strategic partnerships, distribution partnerships, joint ventures and other transactions relating to the development and pursuit of a broadband network business strategy. The Harbinger Filing Persons believe that such a network may create the opportunity for Harbinger, using SkyTerra's United States and Canadian nationwide spectrum, to establish a strong position within the wireless telecommunications industry because of the potential advantages over existing wireless networks, including higher data speeds, lower costs per bit and flexibility to support a range of custom applications and services. The Harbinger Filing Persons believe that upon completion and deployment of such a network, potential distribution and other strategic partners will create custom applications and services for consumers at attractive prices, as compared to prices on incumbents' legacy networks, which will lead to Harbinger's increased penetration in the wireless industry.

Due to the challenging operating environment in the telecommunications sector and the additional funding necessary to develop and construct the satellite-terrestrial network, the Harbinger Filing Persons also believe that a stronger focus on obtaining financing will be required, which the Harbinger Filing Persons believe will be easier to achieve with 100% ownership by Harbinger, particularly given the potential benefits of the integration described above. The Harbinger Filing Persons also believe that a 100% ownership structure will provide greater operating flexibility and eliminate some burdens, costs and constraints imposed on public companies.

The Harbinger Filing Persons determined to consider a transaction with SkyTerra at the time that they did because of their desire to proceed with the development of the satellite-terrestrial network, a strategy which the Harbinger Filing Persons believe is advantageous to pursue at the present time. SkyTerra's cash position (including its projected cash needs and difficulties in obtaining alternative financing) also was a factor in the Harbinger Filing Persons' consideration of alternatives involving SkyTerra in the fall of 2009.

Following the Harbinger Filing Persons' filing of an amended report on Schedule 13D on August 21, 2009, which described that Harbinger was analyzing and considering their options related to their investment in SkyTerra (including the possibility of acquiring all of the outstanding shares of capital stock of SkyTerra not owned by the Harbinger Filing Persons), a representative of the special committee inquired about Harbinger's interest in a going private transaction at a price which would be acceptable to the special committee. Based on past experiences with the special committee, the Harbinger Filing Parties had believed the special committee would have unrealistic price expectations which, among other things, had prevented Harbinger from determining to make a take-private proposal to SkyTerra. The Harbinger Filing Persons viewed the inquiry by the special committee as an opportunity for the Harbinger Filing Persons to reevaluate their options and determined that the

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merger in September 2009 rather than at another time with the support of the SkyTerra directors would result in a price that was fair and maximized the value of SkyTerra for the benefit of the public stockholders.

### ***Effects of the Merger***

As a result of the proposed merger, all shares of Capital Stock, other than excluded shares, will be converted into the right to receive \$5.00 per share, without interest, will be automatically canceled and retired and will cease to exist.

In addition, the merger agreement provides that each outstanding option (including certain options granted under the Mobile Satellite Ventures LP 2001 Unit Incentive Plan that are outstanding as of immediately prior to the effective time but were not previously exchanged pursuant to the option exchange offer made by SkyTerra pursuant to that Registration Statement on Form S-4, Registration No. 333-144093) to purchase Common Stock (whether or not vested or exercisable) will be canceled in exchange for a per share amount in cash equal to the excess, if any, of \$5.00 over the per share exercise price of the option (other than any option, the vesting of which is contingent on the achievement of performance goals, which will be canceled immediately prior to the effective time and replaced with cash based awards to be determined by SkyTerra's Compensation Committee, subject to the approval (which approval shall not be unreasonably withheld) of Harbinger).

Each outstanding share of restricted stock (that was not performance based) previously issued by SkyTerra which is outstanding as of the effective time will be canceled in exchange for the right to receive, from the surviving corporation, a per share amount in cash equal to the merger consideration. Each outstanding MSV phantom unit which is outstanding as of the effective time will be canceled and be deemed to have been exchanged for 2.82 shares of Common Stock immediately prior to the effective time. Each holder, including SkyTerra's directors and officers, receiving shares of Common Stock in connection with the exchange and cancellation of the phantom units will be entitled to receive \$5.00 per share of such Common Stock.

At the time the merger becomes effective, each share of common stock of Acquisition Corp. that is issued and outstanding immediately prior to the effective time will be converted into one share of common stock of the surviving corporation.

Harbinger, as the owner of SkyTerra, as the surviving corporation, and its business following the effective time, will be the only beneficiary of any earnings and growth of SkyTerra following the proposed merger.

Upon completion of the proposed merger, Common Stock will no longer be traded on the Over the Counter Bulletin Board and will be deregistered under the Securities Exchange Act of 1934, as amended. Following the merger, Common Stock will no longer be publicly traded.

### **Opinion of the Special Committee's Financial Advisor**

The special committee retained Morgan Stanley to act as its independent financial advisor and to provide a financial opinion to the special committee of the board of directors of SkyTerra in connection with the merger. Morgan Stanley is an internationally recognized investment banking firm that is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, and private placements and for corporate and other purposes. SkyTerra selected Morgan Stanley on the basis of its substantial experience in comparable transactions, its expertise and reputation and its familiarity with SkyTerra. On September 22, 2009, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, to the special committee of the board of directors of SkyTerra to the effect that as of such date and based on and subject to the assumptions, qualifications and limitations set forth in the written opinion, the consideration to be received by holders of Capital Stock (other than Harbinger and its affiliates) pursuant to the merger agreement was fair, from a financial point of view, to such holders.

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THE FULL TEXT OF MORGAN STANLEY'S WRITTEN OPINION, DATED SEPTEMBER 22, 2009, IS ATTACHED AS APPENDIX C TO THIS PROXY STATEMENT. YOU ARE ENCOURAGED TO, AND SHOULD, READ THE OPINION IN ITS ENTIRETY FOR A DISCUSSION OF THE ASSUMPTIONS MADE, PROCEDURES FOLLOWED, FACTORS CONSIDERED AND LIMITATIONS OF THE REVIEW UNDERTAKEN BY MORGAN STANLEY IN RENDERING SUCH OPINION. THIS SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF SUCH OPINION. MORGAN STANLEY'S OPINION IS DIRECTED TO THE SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS OF SKYTERRA AND ADDRESSES ONLY THE FAIRNESS FROM A FINANCIAL POINT OF VIEW OF THE CONSIDERATION TO BE RECEIVED BY THE HOLDERS OF CAPITAL STOCK (OTHER THAN HARBINGER AND ITS AFFILIATES) PURSUANT TO THE MERGER AGREEMENT, TO SUCH HOLDERS AS OF THE DATE OF THE OPINION. MORGAN STANLEY'S OPINION DID NOT IN ANY MANNER ADDRESS ANY OTHER ASPECTS OF THE MERGER. MORGAN STANLEY EXPRESSED NO OPINION OR RECOMMENDATION TO THE STOCKHOLDERS OF SKYTERRA AS TO HOW TO VOTE AT THE ANNUAL MEETING TO BE HELD IN CONNECTION WITH THE MERGER.

In connection with rendering its opinion, Morgan Stanley, among other things:

reviewed certain publicly available financial statements and other business and financial information of SkyTerra;

reviewed certain internal financial statements and other financial operating data concerning SkyTerra;

reviewed certain financial projections prepared by the management of SkyTerra, including cash and liquidity forecasts;

discussed the past and current operations and financial condition and the prospects of SkyTerra with senior executives of SkyTerra;

reviewed the reported prices and trading activity for the Capital Stock;

discussed with management of SkyTerra the history of strategic discussions held between the management of SkyTerra and third parties regarding potential equity investments in SkyTerra, and potential equity investments in SkyTerra in connection with a transaction involving Inmarsat pursuant to the MCSA;

compared the financial performance of SkyTerra and the prices and trading activity of the Capital Stock with that of certain other publicly traded companies comparable with SkyTerra, and their securities;

reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

reviewed the merger agreement, and certain related documents; and

reviewed such other information and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied on, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to Morgan Stanley by SkyTerra, and formed a substantial basis for its opinion. With respect to the financial projections (including cash and liquidity forecasts) Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of SkyTerra of the future financial performance of SkyTerra. Morgan Stanley also relied upon, without independent verification, the assessment by the management of SkyTerra of: (i) the validity of, and risks associated with, SkyTerra's existing and future technologies, intellectual property, products, services and business models; and (ii) the history of strategic discussions held between the management of SkyTerra and third parties regarding potential



equity investments in SkyTerra, and potential equity investments in SkyTerra in

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connection with a transaction involving Inmarsat pursuant to the MCSA. In addition, Morgan Stanley assumed that the merger will be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the proposed merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the proposed merger. Morgan Stanley is not a legal, tax or regulatory advisor. Morgan Stanley is a financial advisor only and has relied on, without independent verification, the assessment of SkyTerra and its legal, tax, and regulatory advisors with respect to legal, tax, and regulatory matters. Morgan Stanley expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of SkyTerra's officers, directors or employees, or any class of such persons, relative to the consideration to be received by the holders of shares of the Capital Stock in the transaction. Morgan Stanley did not make any independent valuation or appraisal of the assets or liabilities of SkyTerra, nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, the date of the opinion. Events occurring after the date of the opinion may affect the opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm the opinion.

Morgan Stanley's opinion does not address the relative merits of the merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved. In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction, involving SkyTerra, nor did Morgan Stanley negotiate with any party with respect to the possible acquisition, business combination or other extraordinary transaction involving SkyTerra.

The following is a summary of the material financial analyses used by Morgan Stanley in connection with providing its opinion to the special committee of the board of directors of SkyTerra.

***Historical Trading and Selected Price Analysis***

Morgan Stanley reviewed the recent stock price performance of SkyTerra based on an analysis of public trading prices for the twelve months ended September 21, 2009 (the last trading day prior to the meeting of the special committee of the board of directors of SkyTerra at which the special committee voted to approve the merger). During this time period, the trading price of the Capital Stock ranged from \$0.80 to \$5.00 and the closing price of the Capital Stock ranged from \$1.01 to \$4.55. During the six-month period ending as of the same date, the trading price of the Capital Stock ranged from \$2.00 to \$4.00 and the closing price of the Capital Stock ranged from \$2.25 to \$3.68.

For the purpose of its Selected Price, Comparable Company, and Selected Relevant Transaction analyses, Morgan Stanley used aggregate value per Megahertz POP ( MHz POP ) as the basis for its valuation benchmarks. MHz POP is a customary metric employed for valuing spectrum assets, and generally reflects valuation with consideration to (i) the depth of spectrum over which a carrier may provide service, and (ii) the population of potential customers in a geographic area over which a carrier is licensed to provide service. Based on information supplied by management, SkyTerra has coordinated for use over 25MHz of spectrum covering a population of approximately 300 million people, implying aggregate SkyTerra MHz POPs of 7,500 million. To derive an equity value from aggregate MHz POPs, SkyTerra's total consolidated indebtedness was subtracted from, and certain unconsolidated investments added to, an implied enterprise value. Morgan Stanley estimated the value of SkyTerra's debt using two methods. The first method assumed the book value of SkyTerra's total indebtedness based on information supplied by management. The second method assumed the market value of SkyTerra's total indebtedness, based on the most recently available public market price for SkyTerra's debt securities. Morgan Stanley makes no claim as to the relevance of one metric over the other and considered both values equally in determining fairness.

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Based on SkyTerra's market price of \$3.40 per share of Capital Stock as of September 21, 2009, Morgan Stanley determined SkyTerra to be worth \$0.26 per MHz POP when valuing its debt at book value, and \$0.19 per MHz POP when valuing its debt at market value. By contrast, the \$5.00 per share merger consideration implies a value per SkyTerra MHz POP of \$0.30 when valuing SkyTerra's debt at book value and \$0.23 when valuing SkyTerra's debt at market value. This analysis assumes that at the current market price of \$3.40, there are 141 million shares of Capital Stock outstanding and at the \$5.00 per share merger consideration, there are 144 million shares of Capital Stock outstanding. The differences in shares of Capital Stock outstanding are attributable to applying the treasury stock method to the existing options outstanding to calculate SkyTerra's fully diluted shares outstanding.

### ***Comparable Company Analysis***

SkyTerra is a provider of mobile satellite services (MSS) throughout North America and is authorized to provide ATC services in the U.S. and is currently seeking such authorization in Canada. Other entities which are authorized to provide ATC services in the U.S. and Canada and/or are currently seeking such authorization are TerreStar, DBSD North America (ICO), and Globalstar. For purposes of this analysis, TerreStar has been used as a comparable company. While TerreStar may not compete directly with SkyTerra with similar products and services, TerreStar is similar to SkyTerra in that it is authorized as an MSS operator, has filed for an ATC license, is constructing a next generation satellite system, has made substantial commitments to integrated chipset and handset development, and is in search of strategic partners and capital to support the construction of a nationwide MSS/ATC network.

As discussed above, TerreStar is not identical to SkyTerra. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond SkyTerra's control, such as the impact of competition on SkyTerra's businesses and the industry generally, industry growth and the absence of any adverse material change in SkyTerra's financial condition and prospects or the industry or in the financial markets in general.

ICO was not used as a comparable company due to the fact that the company filed for Chapter 11 bankruptcy protection on May 15, 2009 and remained in bankruptcy proceedings at the time that Morgan Stanley issued its financial opinion to the special committee of the board of directors of SkyTerra in connection with the merger. A comparable company valuation was not meaningful as the trading data for ICO's public parent, ICO Global, reflected the bankruptcy filing. In addition, Globalstar was not used as a comparable company given that it is primarily a global provider of mobile satellite services with only a portion of its business and assets oriented toward the North American market and ATC. Moreover, as a company that generates positive EBITDA, Globalstar is principally valued using different valuation metrics and methodologies than is SkyTerra. Such valuation methodologies include Enterprise Value/EBITDA and Sum-of-the-Parts valuation analysis which are not applicable to SkyTerra.

Morgan Stanley reviewed publicly available information of TerreStar, including its current and historical ratios of aggregate value per MHz POP based on the book and market value of TerreStar's debt. Based on this review of TerreStar, Morgan Stanley applied a range of MHz POP multiples to SkyTerra to determine a fair market value range of Capital Stock.

Using TerreStar's valuation based on its book value of debt, Morgan Stanley calculated a range of between \$0.25 - \$0.26 per MHz POP which implies a fair market value range of between \$2.65 and \$3.40 per share of Capital Stock. Using TerreStar's valuation based on its market value of debt, Morgan Stanley calculated a range of between \$0.15 - \$0.21 per MHz POP which implies a fair market value range of between \$0.00 - \$0.55 per share of Capital Stock. The fair market value ranges for the Capital Stock set forth above assume that all of SkyTerra's debt is valued at book value.

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### ***Precedent Premiums Paid Analysis***

Morgan Stanley reviewed and compared the proposed premium payable in the merger to corresponding publicly available premiums of announced cash and stock squeeze out transactions with transaction values of greater than \$100 million between 1990 and September 21, 2009. There were 182 such transactions. Morgan Stanley derived from these transactions the median premiums paid in various groupings of these transactions relative to the acquired companies' trading share price four weeks prior to the announcement of the transactions.

In the 182 transactions Morgan Stanley reviewed in connection with its premiums paid analysis, the median premium paid relative to the trading share prices four weeks prior to the announcement of the selected transactions was 16%. 75 of these transactions involved the acquisition by a shareholder with an ownership stake of between 30% and 50% (Minority transactions). These transactions featured a median premium of 25%. 107 of these transactions involved the acquisition by a shareholder with an ownership stake of greater than 50% (Majority transactions). These transactions featured a median premium of 12%.

Of the 182 transactions Morgan Stanley reviewed in connection with its premiums paid analysis, 67 were investor transactions, or transactions which included a non-strategic buyer (i.e., a private equity firm or hedge fund). These transactions featured a median premium of 18%. 27 of these transactions involved the acquisition by a shareholder with an ownership stake of between 30% and 50%. These transactions featured a median premium of 31%. 40 of these transactions involved the acquisition by a shareholder with an ownership stake of greater than 50%. These transactions featured a median premium of 9%.

In consideration of the premiums associated with the above Minority transactions, Morgan Stanley determined an indicative premium range to be between 20% and 30%. Applying this premium range to the current value of the Common Stock of \$3.40 as of September 21, 2009 implies a per share valuation of Capital Stock of between \$4.10 and \$4.40. In consideration of the premiums associated with the above Majority transactions, Morgan Stanley determined an indicative premium range to be between 10% and 20%. Applying this premium range to the current value of the Common Stock of \$3.40 as of September 21, 2009 implies a per share valuation of Capital Stock of between \$3.75 and \$4.10.

Morgan Stanley noted that the \$5.00 per share merger consideration represents a premium of 56% to the 30-day average trading price of the Capital Stock prior to the announcement of the merger.

### ***Selected Relevant Transactions Analysis***

Morgan Stanley conducted a precedent premiums paid analysis by analyzing all announced transactions since 1990 involving a cash and/or stock squeeze out valued at greater than \$100 million. A squeeze-out was defined as an existing shareholder that already owned at least 30% of a company that made a bid for the remainder of the company not already owned. There were 182 such deals that fit this definition and the median premium paid, based on the market price four weeks prior to the announcement, was 16%. Morgan Stanley further categorized these deals into situations where the existing shareholder owned greater than 50% of the company and between 30% and 50% of the company and found that the median premium paid in these cases were 12% and 25%, respectively.

Morgan Stanley also determined that of the 182 deals, 67 of the deals were investor-related, i.e. they involved a financial investor, namely a hedge fund or a private equity owner. The same stratifications were applied to these 67 deals (i.e. cases where the financial investor already owned greater than 50% and between 30% and 50%) and the relevant premiums paid were determined to be 9% and 31%, respectively.

Based on these premiums, Morgan Stanley selected a range of premiums to apply to SkyTerra's share price at the time of the opinion to arrive at a share price for the Capital Stock. A range of 20-30% was selected in the instance that a squeeze out would be completed by an owner who owned less than 50% of the company. This

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yielded a per share valuation of Capital Stock between \$4.10 and \$4.40. A range of 10-20% was selected in the instance that a squeeze out would be completed by an owner who owned greater than 50% of the company. This yielded a per share valuation of Capital Stock between \$3.75 and \$4.10.

Morgan Stanley also conducted an analysis of per MHz POP valuations implied in two selected transaction situations occurring recently in the wireless communications and spectrum sectors, recognizing that comparisons were limited as a result of the macroeconomic circumstances arising from the credit crisis. The first such transaction, announced May 7, 2008, involved the combination of certain assets held by Sprint Nextel Corp. with and into Clearwire Corp., whose assets are primarily spectrum held in the 2.5 GHz band. The implied valuation of the Clearwire spectrum assets in this transaction was \$0.24 per MHz POP. This valuation implies a per share valuation of Capital Stock of \$2.13.

The second recent situation involved DBSD North America (ICO), a wholly owned subsidiary of DBSD Global. ICO filed for Chapter 11 bankruptcy protection on May 15, 2009 in the United States Bankruptcy Court for the Southern District of New York. The plan of reorganization, filed in connection with the Chapter 11 proceeding, implied a \$0.13 per MHz POP valuation for ICO's spectrum holdings, which are in the 2.0 GHz band. This valuation level implies a per share valuation of Capital Stock of \$0.00. The plan of reorganization was rejected by ICO's creditors shortly before its bankruptcy filing and an auction process was commenced shortly thereafter. As of the date of the Morgan Stanley Opinion and the meeting of the special committee of the board of directors of SkyTerra, the auction process was still underway.

***Discounted Cash Flows Analysis***

Morgan Stanley reviewed SkyTerra's management estimates of SkyTerra's projected financial performance through the year 2019, which we refer to in this section as the management case. Morgan Stanley performed a discounted cash flow analysis of the management case financial projections. As part of this analysis, Morgan Stanley assumed that cash flows are fully taxed at 40% and net operating losses are valued separately and added to the discounted cash flow valuation, but did not assume any operational benefits from the merger. Morgan Stanley calculated unlevered free cash flows through 2019, and calculated terminal values by applying a range of EBITDA exit multiples from 8.0x to 10.0x to an estimated 2020 forward EBITDA. This range of multiples was derived from a review of normalized historical trading multiples for certain satellite communications companies. The cash flow streams and terminal values were discounted to December 31, 2009 using a range of weighted average cost of capital assumptions for SkyTerra of 20% to 30%. This analysis indicated an implied value of \$0.00 to \$1.67 per share of Capital Stock using the management case.

***General***

In connection with the review of the merger by the special committee of the board of directors of SkyTerra, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley's view of the actual value of SkyTerra. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of SkyTerra. Any estimates contained in Morgan Stanley's analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

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Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness of the consideration to be received by holders of shares of Capital Stock pursuant to the merger agreement from a financial point of view to such holders, other than Harbinger and its affiliates, and in connection with the delivery of its opinion to the special committee of the board of directors of SkyTerra. These analyses do not purport to be appraisals or to reflect the prices at which shares of Capital Stock might actually trade.

The merger consideration to be paid pursuant to the merger agreement was determined through arm's length negotiations between the special committee of the board of directors of SkyTerra and Harbinger and was recommended by the special committee for approval by the board of directors of SkyTerra and was approved by SkyTerra's board of directors and Harbinger. Morgan Stanley provided advice to the special committee of the board of directors of SkyTerra during these negotiations. Morgan Stanley did not, however, recommend any specific merger consideration to the special committee of the board of directors of SkyTerra or that any specific merger consideration constituted the only appropriate merger consideration for the merger.

Morgan Stanley's opinion and its presentation to the special committee of the board of directors of SkyTerra was one of many factors taken into consideration by the special committee of the board of directors of SkyTerra in deciding to approve, adopt and authorize the merger agreement. Consequently, the analyses as described above should not be viewed as determinative of the opinion of the special committee of the board of directors of SkyTerra with respect to the consideration to be received by SkyTerra's stockholders pursuant to the merger agreement or of whether the special committee of the board of directors of SkyTerra would have been willing to agree to a different merger consideration. The foregoing summary describes the material analyses performed by Morgan Stanley but does not purport to be a complete description of the analyses performed by Morgan Stanley.

Morgan Stanley's opinion was approved by a committee of Morgan Stanley investment banking and other professionals in accordance with its customary practice.

Morgan Stanley is a global financial services firm engaged in the securities, investment management and individual wealth management business. Morgan Stanley's securities business is engaged in securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trading, prime brokerage, as well as providing investment banking, financing and financial advisory services. Morgan Stanley, its affiliates, directors and officers may at any time invest on a principal basis or manage funds that invest, hold long or short positions, finance positions, and may trade or otherwise structure and effect transactions, for their own account or the accounts of its customers, in debt or equity securities or loans of SkyTerra, Harbinger, or any other company, or any currency or commodity, that may be involved in the merger, or any related derivative instrument. In the two years before the date hereof, Morgan Stanley has provided financial advisory and financing services for SkyTerra and has received fees in connection with such services. Morgan Stanley may also seek to provide such services to SkyTerra or Harbinger in the future and expects to receive fees for the rendering of these services.

Under the terms of its engagement letter, Morgan Stanley provided the special committee with financial advisory services and a financial opinion in connection with the merger, and as compensation for its services in connection with the merger, SkyTerra has agreed to pay Morgan Stanley a fee of \$4 million, \$2 million of which was paid upon delivery of the Morgan Stanley Opinion and the remainder of which is payable to Morgan Stanley upon the earliest of (1) the consummation of the merger, (2) the second anniversary of the engagement letter and (3) the termination of Morgan Stanley's engagement in accordance with the terms of the engagement letter. SkyTerra has also agreed to reimburse Morgan Stanley for certain expenses incurred by Morgan Stanley, including fees of outside legal counsel, and to indemnify Morgan Stanley and related parties against certain liabilities and expenses arising out of Morgan Stanley's engagement.

### **Plans for SkyTerra after the Merger**

In connection with the merger, Harbinger expects to review SkyTerra and its assets, business, operations and structure to consider and determine what changes, if any, would be appropriate or desirable following the merger.

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The purchase of all of the publicly held shares in SkyTerra may enable Harbinger to integrate SkyTerra with its other investments in the telecommunications sector and implement a business plan using certain of Harbinger's other telecommunications assets in combination with SkyTerra's assets. This integration will increase the ability of Harbinger to pursue opportunities for possible strategic partnerships, joint ventures and other transactions relating to its holdings in such sector. In addition, upon completion of the merger, SkyTerra will cease to have publicly traded equity securities and will instead be an indirect wholly owned subsidiary of Harbinger. Due to the challenging operating environment in the telecommunications sector and the additional funding necessary to develop and construct the next generation integrated network, Harbinger also believes that a stronger focus on obtaining alternative financing will be required, which Harbinger believes will be easier to achieve with 100% ownership. Harbinger believes that a 100% ownership structure will provide greater operating flexibility and eliminate some burdens, costs and constraints imposed on public companies.

Under the terms of the merger agreement, the directors of Acquisition Corp. will serve as directors following completion of the merger, and thereafter Harbinger expects that the directors of SkyTerra will be comprised of persons affiliated with Harbinger. Harbinger will continue to evaluate all aspects of SkyTerra's business, operations, capitalization and management and personnel and will take such actions from and after the merger as it deems appropriate under the circumstances. Harbinger expressly reserves the right to make any changes that it deems necessary, appropriate or convenient in light of its review, future developments or changes in Harbinger's investment objectives.

**Financial Projections**

**Important Information About the Projections.** The projections set forth below were not prepared with a view toward public disclosure, and they are included in this proxy statement only because this information was provided to Harbinger and UBS, the financial advisor to Harbinger, in connection with Harbinger's due diligence, and to Morgan Stanley in connection with its preparation of Morgan Stanley's opinion. The projections were prepared by our management in September 2009 based on management's expectations of operating and market conditions in existence at the time the projections were prepared. The projections have not been updated to reflect our actual results of operations after August 31, 2009, the effect of the merger, and other subsequent developments.

In connection with Harbinger's due diligence, SkyTerra provided various financial information to Harbinger advisors, including a quarterly cash forecast through the end of 2010. This quarterly cash forecast set forth projected quarterly revenues ranging from approximately \$7.7 million to approximately \$9.1 million in the six fiscal quarters contained in such forecasts. In addition, the quarterly cash forecast indicated usage of cash for various items, including interest, capital expenditures, operating expenditures and selling, general and administrative expenses, in the noted amounts:

<b>Cash Estimates (\$K)</b>	<b>Q3 2009</b>	<b>Q4 2009</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>
Uses	(54,749.2)	(79,001.5)	(74,448.0)	(62,838.5)	(149,029.4)	(243,590.0)

As discussed more fully in the section of this proxy statement **Proposal One The Merger Position of SkyTerra as to the Fairness of the Merger; Recommendation by SkyTerra's Special Committee and Board of Directors**, the quarterly cash forecast indicated that, based on the assumptions used in such forecast, SkyTerra would utilize all currently available cash resources and reserves during the fourth quarter of 2010, consistent with prior SkyTerra public filings.

In connection with Morgan Stanley's preparation of its opinion, SkyTerra's management provided various financial information to Morgan Stanley, including annual financial projections for SkyTerra's standalone mobile satellite services business through the end of 2019. As discussed more fully in the section of this proxy statement **Proposal One The Merger Opinion of the Special Committee's Financial Advisor, Morgan Stanley utilized**

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these estimates of SkyTerra's projected financial performance through the year 2019 in performing its discounted cash flow analysis.

**2010E 2019E Cash Flows per Management Plan**

(amounts in millions of dollars)

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Revenue	\$ 129	\$ 174	\$ 213	\$ 276	\$ 346	\$ 439	\$ 612	\$ 845	\$ 1,063	\$ 1,222
EBITDA	43	55	45	92	148	220	362	557	739	872
Less: Cash Taxes(1)	0	0	0	0	(20)	(49)	(105)	(184)	(256)	(311)
Less: Changes in Working Capital	(13)	86	5	(4)	(10)	(10)	(15)	(20)	(18)	(15)
Less: Capex	(214)	(112)	(8)	(9)	(15)	(11)	(11)	(17)	(13)	(14)
Unlevered Free Cash Flow	(184)	29	41	79	103	151	230	337	452	531
Cumulative Unlevered Free Cash Flow	(184)	(155)	(114)	(35)	68	218	448	785	1,238	1,769

(1) Assumes cash flows are fully taxed at 40%; Net Operating Losses valued separately by Morgan Stanley and added to discounted cash flow valuation.

The projections were not prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or United States generally accepted accounting principles. SkyTerra's independent registered public accounting firm have not compiled, examined or performed any procedures with respect to the projections, and SkyTerra's independent registered public accounting firm have not expressed any opinion or given any form of assurance on such information or its achievability. The projections are included in this proxy statement to give SkyTerra's stockholders access to information that was not publicly available, but that SkyTerra provided to UBS, Harbinger and Morgan Stanley as discussed above.

In compiling the projections, management took into account historical performance, future minimum contractual commitments, combined with projections regarding development activities. The projections were developed in a manner consistent with management's historical development of budgets and long range operating projections. The projections are not guarantees of performance. The projections are forward looking statements that are subject to a number of risks, uncertainties and assumptions and should be read with caution. See Cautionary Statement Concerning Forward Looking Information on page 15. The projections are subjective in many respects and thus are susceptible to interpretation and periodic revision based on actual experience and recent developments. While presented with numeric specificity, the projections reflect numerous assumptions made by our management with respect to industry and financial conditions and other matters, as well as general economic conditions, many of which are beyond our control. In addition, the projections do not include various charges and expenses that may be incurred as a result of the merger or any other potential transactions. Accordingly, results can vary materially from the projections. Except as required by applicable securities laws, neither SkyTerra nor Harbinger intends to make publicly available any update or other revisions to the projections to reflect circumstances existing after the date of the preparation of the projections or the occurrence of future events even in the event that any or all of the assumptions are shown to be in error.

In connection with the execution of the merger agreement, SkyTerra has agreed to operate within more restrictive spending levels than the management projections as set forth above. Such restrictive spending levels are described more fully in the section entitled Merger Agreement Conduct of the Business Pending the Merger beginning on page 70.



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### **Merger Financing**

The total amount of funds required to complete the merger (excluding related fees and expenses) is estimated to be approximately \$262 million. Acquisition Corp. will obtain such funds from Harbinger, which expects to obtain such funds from its resources existing at the time the merger is completed. The merger is not conditioned on any financing arrangements.

### **Risks that the Merger will not be Completed**

Completion of the proposed merger is subject to various risks, including but not limited to the risks that:

the proposed merger might not be completed due to the failure of a condition, such as the condition with respect to a limitation on dissenting shares or the failure to obtain required approvals, authorizations or consents from the FCC or other applicable governmental entities, and the effect of the resulting public announcement of termination of the merger agreement on:

the ability to otherwise obtain necessary capital;

the market prices of Common Stock;

SkyTerra's operating results, particularly in light of the costs incurred in connection with the transaction; and

SkyTerra's ability to attract and retain key personnel.

Harbinger's requirements that SkyTerra:

not take certain actions under its Cooperation Agreement with Inmarsat;

extend the closing date under the SPA from January 4, 2010 to a date that is ten business days following the termination of the merger agreement.

a possible disruption of SkyTerra's business that may result from the announcement of the transaction and the resulting distraction of the attention of SkyTerra's management, including the fact that the merger agreement contains certain limitations regarding the operation of SkyTerra's business (including significant restraints on overall cash expenditures) during the period between the signing of the merger agreement and the completion of the proposed merger; and

stockholder lawsuits filed or that may in the future be filed could result in an injunction or similar relief against consummation of the merger.

As a result of the foregoing risks, among others, to the completion of the merger, there can be no assurance that the merger will be completed even if the requisite stockholder approval is obtained. If our stockholders do not adopt the merger agreement, or if the merger is not completed for any other reason, we expect that our current management team, under the direction of the board of directors, will continue to operate SkyTerra as an ongoing business.

### **Interests of SkyTerra Directors and Officers in the Merger**

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When considering the recommendation of the board of directors you should be aware that some of SkyTerra's executives and directors may have interests in the merger that are different from the interests of SkyTerra's other stockholders. The special committee and the board of directors were aware of and considered these interests in approving the proposed merger and adopting the merger agreement. All such additional interests are described below to the extent material, and except as described below, such persons have, to the knowledge of SkyTerra, no material interest in the merger apart from those of stockholders and optionholders generally.

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### ***Directors of the Surviving Corporation Post Merger***

The board of directors of Acquisition Corp. at the effective time of the merger shall, from and after the effective time of the merger, be the directors of the surviving corporation, until their successors are duly elected and qualified or until their earlier death, resignation or removal in accordance with the certificate of incorporation and by laws. As of the date of the merger agreement, and the date of this proxy statement, none of our directors have entered into any agreements, arrangements or understandings with any of the Harbinger Parties, or any of their respective affiliates, regarding such director remaining or becoming a director of the surviving corporation.

### ***Compensation of the Special Committee and Other Members of the Board of Directors***

In consideration of the expected time and effort that would be required of special committee members, the board of directors determined on January 23, 2009, that each member of the special committee would receive a special payment of \$25,000 (with the exception of the Chairman who received a special payment of \$50,000), as well as an upfront retainer of \$25,000 (with the exception of the Chairman of the special committee who would receive \$50,000). Each member of the committee also receives a \$15,000 quarterly retainer (with the exception of the Chairman who receives \$25,000 quarterly). Such fees are being paid in four one fourth increments, all of which have already been paid for 2009, and without regard to whether the special committee ultimately recommended approval of the merger agreement or whether the merger is completed. In addition, the members of the special committee will also be reimbursed for their reasonable out of pocket travel and other expenses in connection with their service on the special committee.

No director of SkyTerra receives any fees or compensation in addition to the fees and compensation paid to such director for service upon SkyTerra's board of directors, in connection with such director's service upon the board of directors of any subsidiary or affiliate of SkyTerra.

### ***Employment with the Surviving Corporation Post Merger***

It is expected that, immediately following the effective time of the merger, the executive officers of SkyTerra immediately prior to the effective time of the merger will remain executive officers of the surviving corporation. As of the date of this proxy statement, none of our executive officers has entered into any amendments or modifications to existing employment agreements with us or our subsidiaries in anticipation of the merger, nor has any executive officer, who has plans or is expected to remain with the surviving corporation, entered into any agreement, arrangement or understanding with Harbinger or its affiliates regarding employment with, or the right to purchase or participate in the equity of, the surviving corporation. Although no such agreement, arrangement or understanding currently exists, it is generally expected that a number of our executive officers will remain after the merger is completed, which means that such executive officers may, prior to the closing of the merger, enter into new arrangements with Harbinger or its affiliates regarding employment with, or the right to purchase or participate in the equity of, the surviving corporation.

### ***Indemnification; Insurance***

Under the merger agreement, Harbinger has agreed to cause the surviving corporation in the merger to indemnify to the fullest extent permitted by law, SkyTerra's existing Certificate of Incorporation or Bylaws, or existing indemnification agreement with such directors and officers in effect on the date of the merger agreement, SkyTerra's current and former directors and officers for acts or omissions in their capacity as an officer or director occurring on or before the effective time in each case, for a period of six years from and after the effective time and the expiration of the applicable statute of limitations, subject to certain conditions.

In addition, the surviving corporation will obtain insurance policies or tail insurance coverage with a claims period of at least six years from the effective time with respect to directors' and officers' liability.

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insurance that provides coverage for events occurring on or before the effective time (including reimbursement of director and officer legal expenses). The terms of the policies will be no less favorable than the existing policy of SkyTerra, unless the cost of the policies would exceed an agreed to threshold, in which case the coverage will be the greatest amount available for an amount not exceeding such threshold.

### ***Treatment of Equity Awards***

The merger agreement provides that immediately prior to the effective time of the merger, each outstanding SkyTerra time vested restricted stock award, SkyTerra LP unit award, SkyTerra stock option and SkyTerra LP unit option will become fully vested. Each share of restricted stock generally will be converted into the right to receive the merger consideration; however, the merger agreement provides that certain restricted stock awards the vesting of which is contingent on attainment of performance goals, will be canceled without consideration being paid therefor. Each SkyTerra LP unit award that is outstanding immediately prior to the effective time of the merger will be deemed to have been exchanged for 2.82 shares of SkyTerra common stock before its conversion into the right to receive the merger consideration. Each stock option generally will be converted into the right to receive cash equal to the spread value of the option, that is, the excess, if any, of the merger consideration over the exercise price of the option; however, the merger agreement provides that certain stock options the vesting of which is contingent on the achievement of performance goals will be canceled immediately prior to the effective time of the merger and replaced with cash-based awards to be determined by SkyTerra's compensation committee, subject to Harbinger's approval (which approval will not be unreasonably withheld). Each SkyTerra unit option that is outstanding immediately prior to the effective time of the merger will be deemed to have been exchanged for an option to purchase SkyTerra common stock in accordance with the terms of the option exchange offer. Amounts paid to our employees will be paid net of any applicable withholding taxes.

The following table shows, as of January 7, 2010, (i) the number of shares of restricted stock (taking into account any applicable deemed exchange of SkyTerra LP restricted units) held by the individuals who have at any time since January 1, 2008, served as one of our executive officers or non-employee directors that will be canceled for merger consideration, and the aggregate value of such shares, and (ii) the number of vested and unvested stock options (taking into account any applicable deemed exchange of SkyTerra LP unit options) held by the individuals who have at any time since January 1, 2008, served as one of our executive officers or non-employee directors, and the aggregate spread value of such stock options, in all cases, based on the merger consideration of \$5.00 per share. A more detailed description of certain equity awards granted Messrs. Killeen and Stasior appears on page 23 of the Form 10-K/A, filed with the SEC on May 11, 2009, and attached to this proxy statement as Appendix F.

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Please see the table entitled "Security Ownership of Management and Certain Beneficial Owners" beginning on page 87 for additional information regarding the ownership of Capital Stock by SkyTerra's officers and directors.

Name/Title	Number of Restricted Shares (#)	Value of Restricted Shares (\$)	Shares Subject to Vested Options (#)	Spread Value of Vested Options (\$)	Shares Subject to Unvested Options (#)	Spread Value of Unvested Options (\$)
Alexander Good Chief Executive Officer and President, Chairman	533,334	2,666,670	1,692,000	4,590,396	0	0
Scott Macleod Executive Vice President, Chief Financial Officer and Treasurer	389,733	1,948,665	634,500	0	0	0
Gary Epstein Executive Vice President, Law and Regulation	100,000	500,000	0	0	300,000 <sup>1</sup>	645,000
Marc Montagner Executive Vice President of Strategy, Development & Distribution, SkyTerra LP	100,000	500,000	0	0	300,000 <sup>1</sup>	487,500
Andrew Caplan Chief Network Officer, SkyTerra LP	75,000	375,000	200,000	0	100,000	0
James A. Wiseman Vice President and Corporate Controller (Principal Accounting Officer)	0	0	37,600	0	18,800	0
Randy Segal Former Senior Vice President & General Counsel	0	0	423,000	1,147,599	0	0
Jose A. Cecin, Jr. Director	0	0	6,667	0	13,333	0
Jeffrey M. Killeen Director	0	0	49,167	155,400	13,333	0
Paul S. Latchford, Jr. Director	0	0	6,667	0	13,333	0
William F. Stasior Director	0	0	59,167	166,000	13,333	0
Michael D. Weiner Director	0	0	31,667	0	13,333	0
Gary Parsons Director of SkyTerra GP	0	0	1,410,000	3,825,330	0	0
Robert Lewis Former General Counsel	0	0	10,000	0	0	0
Andrew Africk Former Director	0	0	226,250	641,516	0	0
Aaron Stone Former Director	0	0	31,667	0	13,333	0
Jeffrey Leddy Former Director	0	0	305,750	964,573	0	0

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For each of Messrs. Epstein and Montagner, this figure does not include the executive's stock option to purchase 300,000 shares of Capital Stock, at exercise prices of \$3.375 and \$2.85 per share, respectively, the vesting of which is subject to achievement of performance goals. As noted above, these performance based stock options will be cancelled immediately prior to the merger without immediate payment therefor.

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### ***Employment Agreements***

Each of our executive officers and Mr. Parsons is party to an employment agreement, offer letter, or other contract with us that provides for payment of severance pay and benefits if the individual's employment is terminated under qualifying circumstances. Certain of these agreements also provide for benefits in the event of a change in control.

#### ***Mr. Good***

Mr. Good has entered into an employment agreement with us, effective May 5, 2008. Pursuant to this agreement, immediately prior to a Change in Control (as defined in the agreement), all equity awards held by Mr. Good become fully vested, and stock options remain exercisable for their respective original terms. As more fully described above, the merger agreement provides that Mr. Good's stock options and restricted stock awards (other than his restricted stock awards the vesting of which is subject to achievement of performance goals) will be cancelled and converted into the right to receive compensation based on the merger consideration.

If Mr. Good's employment is terminated without Cause (as defined in the agreement) or upon Mr. Good's termination of his employment for Good Reason (as defined in the agreement), Mr. Good is entitled to the following:

a lump sum payment equal to two times the sum of his annual base salary plus target bonus;

a pro rata bonus payment (at target) for the portion of the current year worked;

continued coverage, at the levels then in effect, under SkyTerra's health care plans (or equivalent payments to cover Mr. Good's COBRA premiums) for two years after termination;

continued payment of life and accident/long term disability insurance, at the levels then in effect, for two years after termination; and

accelerated vesting of all SkyTerra and SkyTerra LP options and restricted stock and continued ability to exercise options through the options' original expiration date.

Mr. Good's employment agreement provides for a gross up payment to Mr. Good in an amount necessary to cover any excise tax imposed under Section 4999 of the Internal Revenue Code on payments to Mr. Good in the event of a change in control or if any other payments or benefits payable to Mr. Good under his employment agreement or otherwise are subject to such excise tax. In addition, Mr. Good is entitled to interest on any payments that are required to be delayed in order to comply with Section 409A of the Code.

#### ***Mr. Macleod***

Mr. Macleod has entered into an employment agreement with us, effective May 5, 2008. Pursuant to this agreement, immediately prior to a Change in Control (as defined in the agreement), all equity awards held by Mr. Macleod become fully vested, and stock options remain exercisable for their respective original terms. As more fully described above, the merger agreement provides that Mr. Macleod's stock options and restricted stock awards, including his outstanding SkyTerra LP restricted units (other than his restricted stock awards the vesting of which is subject to achievement of performance goals), will be cancelled and converted into the right to receive compensation based on the merger consideration.

If Mr. Macleod's employment is terminated without Cause (as defined in the agreement) or upon Mr. Macleod's termination of his employment for Good Reason (as defined in the agreement), Mr. Macleod will be entitled to the following:

a lump sum payment equal to the sum of his annual base salary plus target bonus;

a pro rata bonus payment (at target) for the portion of the current year worked;



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continued coverage, at the levels then in effect, under SkyTerra's health care plans (or equivalent payments to cover Mr. Macleod's COBRA premiums) for one year after termination;

continued payment of life and accident/long term disability insurance, at the levels then in effect, for one year after termination; and

accelerated vesting of all SkyTerra and SkyTerra LP options and restricted stock and continued ability to exercise options through the options' original expiration date.

Mr. Macleod's employment agreement provides for a gross up payment to Mr. Macleod in an amount necessary to cover any excise tax imposed under Section 4999 of the Internal Revenue Code on payments to Mr. Macleod in the event of a change in control or if any other payments or benefits payable to Mr. Macleod under his employment agreement or otherwise are subject to such excise tax. In addition, Mr. Macleod is entitled to interest on any payments that are required to be delayed in order to comply with Section 409A of the Code.

***Messrs. Epstein and Montagner***

Each of Messrs. Epstein and Montagner has entered into an offer letter with us, effective March 3, 2009 and February 23, 2009, respectively. Each of the offer letters provides that if the executive's employment is terminated by us without Cause (as defined in each offer letter) or by the executive for Good Reason (as defined in each offer letter), the executive will be entitled to the following:

a lump sum payment equal to the sum of his annual base salary plus target bonus;

continued coverage, at the levels then in effect, under SkyTerra's health care plans (or equivalent payments to cover the executive's COBRA premiums) for one year after termination; and

accelerated vesting of all options and restricted stock.