

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 recommends 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, 20