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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
LIGHTSQUARED, INC., et al.,	)	Case No. 12-12080 (SCC)
	)	Jointly Administered
Debtors.[1]	)	

REPLY IN SUPPORT OF MOTION OF THE AD HOC SECURED GROUP OF LIGHTSQUARED LP LENDERS FOR ENTRY OF AN ORDER GRANTING LEAVE, STANDING AND AUTHORITY TO COMMENCE, PROSECUTE AND/OR SETTLE CERTAIN CLAIMS OF THE DEBTORS' ESTATES

[1] The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal or foreign tax or registration identification number, are: LightSquared Inc. (8845), LightSquared Investors Holdings Inc. (0984), One Dot Four Corp. (8806), One Dot Six Corp. (8763), SkyTerra Rollup LLC (N/A), SkyTerra Rollup Sub LLC (N/A), SkyTerra Investors LLC (N/A), TMI Communications Delaware, Limited Partnership (4456), LightSquared GP Inc. (6190), LightSquared LP (3801), ATC Technologies, LLC (3432), LightSquared Corp. (1361), LightSquared Finance Co. (6962), LightSquared Network LLC (1750), LightSquared Inc. of Virginia (9725), LightSquared Subsidiary LLC (9821), Lightsquared Bermuda Ltd. (7247), SkyTerra Holdings (Canada) Inc. (0631), SkyTerra (Canada) Inc. (0629) and One Dot Six TVCC Corp. (0040).

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The Ad Hoc Secured Group of LightSquared LP Lenders (the "Ad Hoc Secured Group") hereby files this reply (the "Reply") in support of its motion (the "Motion") [Docket No. 323] for entry of an order pursuant to section 105(a) of title 11 of the United States Code (the "Bankruptcy Code") granting the Ad Hoc Secured Group leave, standing and authority to commence, prosecute and/or settle certain claims on behalf of the estates (the "Estates") of the debtors and debtors in possession (the "Debtors" and, collectively with all of the Debtors' non-Debtor affiliates, the "Company") in the above-captioned chapter 11 cases (the "Chapter 11 Cases") against each non-Debtor party (collectively, the "Proposed Defendants") to that certain Credit Agreement in the original principal amount of $263,750,000 dated as of July 1, 2011 (the "Prepetition Inc. Credit Agreement"); and in response to the (i) Objection of U.S. Bank National Association, as Successor Agent Under the Inc. Credit Agreement, and Mast Capital Management, LLC to the Motion (the "U.S. Bank Objection") [Docket No. 377]; (ii) Supplemental Objection of U.S. Bank National Association, as Successor Agent Under the Inc. Credit Agreement, to the Motion (the "U.S. Bank Suppl. Objection") [Docket No. 378]; (iii) Statement of LightSquared Regarding the Motion (the "Debtors' Statement") [Docket No. 379]; and (iv) Objection of Harbinger Capital Partners LLC to the Motion (the "Harbinger Objection") [Docket No. 380] (collectively, the "Objections"); and respectfully submits as follows:

PRELIMINARY STATEMENT

1. The Motion and Proposed Complaint identify colorable Estate claims that, if successful, could avoid, recharacterize and/or subordinate over $300 million in obligations and security interests.[2] Each of LightSquared Inc. and the Prepetition Inc. Guarantors is controlled by Harbinger and hopelessly conflicted. The Ad Hoc Secured Group is the only unconflicted

[2] Capitalized terms used but not defined herein have the meaning ascribed to them in the Motion.

constituent in these Chapter 11 Cases with enough at risk to pursue these valuable Estate claims and causes of action.

2. U.S. Bank argues that the Ad Hoc Secured Group cannot seek derivative standing to assert claims on behalf of the Prepetition Inc. Guarantors and, because all of the valuable assets of the Inc. Debtors are held by the Prepetition Inc. Guarantors, there is no point to pursuing any of the Proposed Complaint's causes of action, regardless of the claims' strength. U.S. Bank is wrong. The Ad Hoc Secured Group can pursue each of the claims here at issue. U.S. Bank's arguments on the merits of the claims are premature (and incorrect); at this point, the Ad Hoc Secured Group needs only to plead colorable claims and the Proposed Complaint does far more than that.

3. Harbinger incorrectly asserts (without support) that the Ad Hoc Secured Group has ignored or mischaracterized facts, and that this alone warrants denying the Motion. This novel argument is nonsensical and, given Harbinger's repeated efforts to avoid its discovery obligations, unfair. The Court's inquiry on an STN motion is akin to that undertaken on a motion to dismiss: the alleged facts should be accepted as true and all reasonable inferences should be drawn in the light most favorable to the plaintiff. Thus, Harbinger's opinion that the Proposed Complaint mischaracterizes or ignores facts is premature and irrelevant to whether the Ad Hoc Secured Group should be granted standing. This is not the time for an evidentiary dispute or a dispositive ruling on the merits. In addition, Harbinger is simply wrong. As set forth herein, the allegations Harbinger complains about are not mischaracterizations at all.

4. The Debtors do not outright oppose the Motion, but contend that they should preserve the right to settle claims against their controlling insiders (and the other Prepetition Inc. Lenders) and request that, if the Court grants standing, litigation in respect of the

Estate claims be deferred. The Debtors are conflicted and cannot control the resolution of claims they would otherwise release. The Debtors' request for delay merely echoes the repeated refrain of Harbinger—that there is no need to investigate any prepetition transactions because (notwithstanding the Debtors' FCC issues) creditors will be paid in full—further illustrating the conflicts here. The litigation should proceed in due course, subject to the Court's schedule.

ARGUMENT

I. The Objections Do Not Refute The Existence Of Colorable Estate Claims

5. The Objections concede that the standard that must be met to show a colorable claim is low. (See, e.g., U.S. Bank Obj. ¶ 27) Indeed, the Court's inquiry is "much the same as that undertaken when a defendant moves to dismiss a complaint for failure to state a claim" under Federal Rule of Civil Procedure 12(b)(6). Adelphia Commc'ns Corp. v. Bank of Am., N.A. (In re Adelphia Commc'ns Corp.), 330 B.R. 364, 376 (Bankr. S.D.N.Y. 2005) (internal quotations omitted). Thus, the Ad Hoc Secured Group's factual allegations are treated as true and all reasonable inferences are drawn in favor of the Ad Hoc Secured Group. See Anderson News, L.L.C. v. Am. Media, Inc., 680 F.3d 162, 185 (2d Cir. 2012); Chapman v. N.Y. State Div. for Youth, 546 F.3d 230, 235 (2d Cir. 2008); see also Unsecured Creditors' Comm. of STN Enters. Inc. v. Noyes (In re STN Enters. Inc.), 779 F.2d 901, 902 (2d Cir. 1985) (viewing creditors' committee's standing motion in "the most favorable light" due to "sketchy" factual record available).

6. The Ad Hoc Secured Group easily demonstrated that the claims are colorable, and the pursuit of such claims would likely benefit the Estates. The Objectors' arguments concerning the merits of these claims (in addition to being wrong) are simply premature. Now is not the time to challenge the factual record; particularly when Harbinger repeatedly resisted producing documents in response to the Ad Hoc Secured Group's requests.

See In re Adelphia Commc'ns, 330 B.R. at 381 ("[A] determination on an STN [] motion that claims are colorable simply satisfies a condition for permitting the issues to be decided where they should be decided—in the plenary litigation itself, where the need to prove allegations will remain, and where factual and legal claims and defenses can and will be considered on their individual merits."); In re Hydrogen L.L.C., No. 08-14139, 2009 WL 2913448, at *1 (Bankr. S.D.N.Y. May 7, 2009) ("In STN, the Second Circuit eschewed extensive merits review, requiring instead a colorable claim . . . for relief that on appropriate proof would support a recovery.") (internal quotation omitted); Official Comm. of Unsecured Creditors of Am.'s Hobby Ctr., Inc. v. Hudson United Bank (In re Am.'s Hobby Ctr., Inc.), 223 B.R. 275, 282 (Bankr. S.D.N.Y. 1998) ("Because [a party bringing an STN motion] is not required to present its proof, the first inquiry is much the same as that undertaken when a defendant moves to dismiss a complaint for failure to state a claim.").

A. The Preference Claims Are Colorable

7. The Proposed Complaint, as revised and attached hereto as Exhibit A (the "Revised Complaint"),[3] alleges that the security interests and liens transferred from LightSquared Inc. and the Prepetition Inc. Guarantors are avoidable preferences under section 547(b) of the Bankruptcy Code. Those security interests and liens were transferred: (i) to and for the benefit of the Prepetition Inc. Lenders; (ii) on account of an antecedent debt (the Prepetition Inc. Credit Agreement); (iii) at a time when LightSquared Inc. and the Prepetition Inc. Guarantors were insolvent; (iv) during the applicable look-back period; and (v) positioning the Prepetition Inc. Lenders to receive more than they would otherwise under a chapter 7 liquidation. (Rev. Compl. ¶¶ 78-93, 113-127, 140-154) The Proposed Defendants' objections are without merit.

[3] Attached as Exhibit B is a redline comparison to the Proposed Complaint.

1) The Ad Hoc Secured Group May Be Granted Standing To Pursue Estate Claims On Behalf Of The Prepetition Inc. Guarantors

8. The Proposed Defendants contend that the Ad Hoc Secured Group may not seek standing to pursue Estate claims on behalf of the Prepetition Inc. Guarantors (the "One Dot Claims") because the members of the Ad Hoc Secured Group are not creditors of these Debtors. (See U.S. Bank Obj. ¶¶ 32-33; U.S. Bank Suppl. Obj. ¶¶ 1-4). For the following reasons, these arguments are wrong. The Ad Hoc Secured Group is entitled to standing derivatively, via LightSquared Inc., which is entitled under STN to pursue the One Dot Claims as both a creditor and equity holder of the Prepetition Inc. Guarantors, and would have every incentive to do so if its managers were not so hopelessly conflicted. In addition, the Ad Hoc Secured Group is entitled to standing in its own right, through reverse veil piercing.

a. If LightSquared Inc. Was Not Conflicted, It Could Pursue The One Dot Claims As A Creditor Of The Prepetition Inc. Guarantors

9. As an initial matter, U.S. Bank's assertion that LightSquared Inc. is only an equity stakeholder in the Prepetition Inc. Guarantors' Estates is factually incorrect. (U.S. Bank Suppl. Obj. ¶ 3) LightSquared Inc. is also a creditor of the Prepetition Inc. Guarantors through intercompany obligations. (See Schedules of Assets of Liabilities of One Dot Four at Schedule F [Docket No. 167]; Schedules of Assets and Liabilities of One Dot Six at Schedule F [Docket No. 158]; Schedules of Assets and Liabilities of One Dot Six TVCC at Schedule F [Docket No. 168]).[4] There is no question that, as a creditor of the Prepetition Inc. Guarantors, LightSquared Inc. could seek STN standing to pursue the One Dot Claims. Because

[4] That LightSquared Inc.'s intercompany claims are contingent is irrelevant to its creditor status. See In re JNL Funding Corp., 438 B.R. 356, 363 (Bankr. E.D.N.Y. 2010) ("Congress was clear in defining what is a claim. Section 101(5)(A) of the Bankruptcy Code defines a 'claim' as a 'right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.' 11 U.S.C. § 101(5)(A). Section 101(10)(A) defines a 'creditor' as an 'entity that has a claim against the debtor that arose at the time of or before the order of relief.' 11 U.S.C. § 101(10)(A). Thus, a contingent right to payment constitutes a claim, and the holder of such a contingent right is a creditor.").

LightSquared Inc. is conflicted, however, the Ad Hoc Secured Group should be granted STN standing instead to ensure that LightSquared Inc.'s litigation assets do not simply evaporate without ever being tested.

b. If LightSquared Inc. Was Not Conflicted, It Could Pursue The One Dot Claims As An Equity Holder Of The Prepetition Inc. Guarantors

10. LightSquared Inc. (and derivatively, the Ad Hoc Secured Group) is also entitled to STN standing as the direct and sole equity holder of the Prepetition Inc. Guarantors. The Proposed Defendants' argument that equity holders cannot be granted STN standing to assert the One Dot Claims is incorrect. (See U.S. Bank Obj. ¶ 32) At least one court in this district has conferred STN standing on an equity committee. See In re Adelphia Commc'ns Corp., 330 B.R. at 368 n.2 (granting standing to equity committee to pursue claims against the debtors' management). The Objections cite no case, in any district, denying standing for the sole reason that the movant was an equity holder. The LightSquared Inc. Estate has a substantial financial interest in the claims against insiders, and there is no reasoned basis for denying the Ad Hoc Secured Group standing merely because—as a creditor of LightSquared Inc.—that financial interest would be realized through LightSquared Inc.'s equity holdings, rather than direct debt holdings. Nothing in STN suggests that any of the Proposed Defendants are shielded from liability for engaging in preferential and avoidable transfers simply because the value that they stripped from the Estates belonged to equity holders (and the creditors of equity holders).

11. The cases cited by U.S. Bank for the proposition that only a creditor may bring a claim on behalf of the estate do not so hold, and are inapposite. (See U.S. Bank Obj. ¶ 32; U.S. Bank Suppl. Obj. ¶¶ 5-6.) Mihnlong Enterprises is not even an STN case. That case dealt with a purchaser of real property at a section 363 sale, which moved pursuant to section 549 of the Bankruptcy Code to invalidate leases that the debtor had entered into prior to the sale.

Mihnlong Enters, Inc. v. N.Y. Int'l Hostel, Inc. (In re N.Y. Int'l Hostel, Inc.), 157 B.R. 748, 752 (S.D.N.Y. 1993). The purchaser did not seek to pursue its section 549 claim on behalf of the estate, but only on its own behalf. Id. at 752-53. Moreover, the court in Mihnlong Enterprises did not hold that an equity holder or other non-creditor stakeholder could never obtain STN standing, but rather that such standing should only be granted "on a showing of extraordinary circumstances."[5] Id. at 753 ("The record contains no showing of 'extraordinary circumstances' or abuse of discretion on the part of the Chapter 7 trustee.").

12. In re Copperfield Investments, LLC only reinforces the Ad Hoc Secured Group's right to standing. 421 B.R. 604 (Bankr. E.D.N.Y. 2010). Copperfield Investments denied estate standing to PCMC, a purported holder of old equity interests in a debtor, after confirmation of the debtor's plan that provided for no distribution on account of such equity interests. Id. at 607. The Copperfield Investments court denied standing because PCMC "ha[d] no economic interest in the outcome of the litigation, and therefore ha[d] no standing to seek authority to prosecute the litigation on the estate's behalf." Id. at 610. Here, there is no question that LightSquared Inc. and its creditors (including the Ad Hoc Secured Group) have a substantial economic interest in the One Dot Claims.

c. The Ad Hoc Secured Group Can Also Seek Standing In Its Own Right, Based On Reverse Veil Piercing

13. The Ad Hoc Secured Group is also entitled to pursue the One Dot Claims based on a reverse veil piercing theory. See Sec. Investor Prot. Corp. v. Stratton Oakmont, Inc., 234 B.R. 293, 319 (Bankr. S.D.N.Y. 1999). Reverse veil piercing applies where, as here, the

[5] Notably, in Mihnlong Enterprises, a chapter 7 trustee had already been appointed at the time of the purchaser's motion. See Mihnlong Enters, Inc. v. New York Int'l Hostel Inc. (In re N.Y. Int'l Hostel, Inc.), 142 B.R. 90, 93 (Bankr. S.D.N.Y. 1992). Also, the motion was made after creditor distributions had been determined by virtue of the section 363 sale of the debtor's sole asset. Mihnlong Enters, Inc. v. N.Y. Int'l Hostel Inc. (In re N.Y. Int'l Hostel, Inc.), 157 B.R. 748, 750 (S.D.N.Y. 1993).

corporate owners, "through their domination, abused the privilege of doing business in the corporate form to perpetrate a wrong or injustice such that a court in equity will intervene." State v. Easton, 169 Misc. 2d 282, 647 N.Y.S.2d 904, 908 (1995). Under such circumstances, the parent is entitled to pursue claims on behalf of the subsidiary. Stratton Oakmont, 234 B.R at 321-23 (stating that veil piercing, whether forward or reverse, is a "procedural device through which a plaintiff may assert facts and circumstances to persuade the court to impose the parent corporation's obligation on the subsidiary or *vice versa*.").

14. In deciding whether to pierce the corporate veil, courts in this Circuit applying New York law consider, among other things: (1) overlap in ownership, officers, and directors; (2) the amount of business discretion displayed by the dominated entity; (3) inadequate capitalization; and (4) whether the related corporation dealt with the dominated corporation at arm's length. Id. at 322 (citing Wm. Passalacqua Builders, Inc. v. Resnick Developers S., Inc., 933 F.2d 131, 139 (2d Cir. 1991) (listing ten factors to consider in determining whether to pierce the corporate veil)).

15. Here, there is no corporate separateness between LightSquared Inc. and the Prepetition Inc. Guarantors with respect to the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment. The boards of each of the Prepetition Inc. Guarantors and LightSquared Inc. were dominated by Harbinger appointees, and there was no separate fairness opinion or other analysis prepared on behalf of the Prepetition Inc. Guarantors. Indeed, the same person signed the transaction documents on behalf of LightSquared Inc. and the Prepetition Inc. Guarantors. [redacted] Thus, the LP Lenders are creditors of the Prepetition Inc. Guarantors, in that LightSquared Inc.'s obligations are satisfiable from the assets

[6] [redacted]

of the Prepetition Inc. Guarantors under a reverse veil piercing theory. Accordingly, the Ad Hoc Secured Group may seek, and should be granted, standing to pursue the One Dot Claims on behalf of the Prepetition Inc. Guarantors.

2) The Proposed Complaint Adequately Alleges That The Non-Harbinger Defendants Are Subject To The Insider Look-Back Period

16. None of the Objections dispute that Harbinger and its affiliates were insiders of the Debtors. (See Motion ¶ 37) Nor do any of the Objections dispute that: (i) Harbinger exerted its control over the Debtors to compel LightSquared to grant valuable security interests on the One Dot Four and One Dot Six assets (see id. ¶ 39); (ii) [redacted] (see id. ¶ 40); and (iii) as beneficiaries of Harbinger's control of the Debtors and/or as assignees from Harbinger, the non-affiliate Prepetition Inc. Lenders' claims are subject to the same challenges as if they were still held by Harbinger (see id. ¶ 42; Enron Corp. v. Springfield Assocs., L.L.C. (In re Enron Corp.), 379 B.R. 425, 439 (S.D.N.Y. 2007)). Indeed, U.S. Bank attaches an email to its objection stating: "I understand from David Steinberg that he and Phil had agreed that the holdco facility would be secured by liens on the 1.4 and 1.6 satellites." (U.S. Bank Obj. Ex. A at MAST006711 (emphasis added)); see also [redacted]

17. The Objections address only the third indicator of Mast's insider status—that Mast could be considered a non-statutory insider based on its close relations with LightSquared Inc. (See U.S. Bank Obj. ¶ 41) The Proposed Defendants' response is

insufficient. First, as discussed above, even if Mast did not directly exert control, the evidence is sufficient that, through Harbinger, it indirectly caused the Debtors to encumber their assets. (Rev. Compl. ¶¶ 63-64) Second, the extent to which Mast was permitted to participate in corporate governance of the Debtors, thereby potentially making it an insider in its own right, is not yet clear.[7] [redacted] An STN motion is not the time for resolving factual disputes, particularly on an incomplete record. See In re STN Enters., 779 F.2d 901, 902 (2d Cir. 1985) (viewing creditors' committee's standing motion in "the most favorable light" due to "sketchy" factual record available); In re Adelphia Commc'ns., 330 B.R. at 381 (proof of allegations remain at plenary litigation stage, not with respect determination of STN motion); In re Hydrogen L.L.C., 2009 WL 2913448, at *1 ("In STN, the Second Circuit eschewed extensive merits review, requiring instead a colorable claim . . . for relief that on appropriate proof would support a recovery.") (internal quotation omitted).

3) The Proposed Complaint Adequately Alleges Insolvency

18. The Proposed Complaint adequately pleads that the Inc. Debtors were insolvent at the time of the transaction. Relying almost exclusively on a presentation prepared

[7] U.S. Bank points to a member of the Ad Hoc Secured Group's board observer rights to show that such rights are not contraindicative of a typical lender relationship. (U.S. Bank Obj. ¶ 40, n. 17 ("Indeed, upon information and belief, within the first month of the Inc. Obligations' issuance, funds managed by Fortress, a member of the Ad Hoc LP Lender Group, bought a large portion of the Inc. Obligations from certain of the Inc. Lenders and, like Mast, had board observer rights.")) Notably, however, on information and belief, Fortress obtained its board observer rights as a result of an equity investment in LightSquared LP preferred stock, not due to its involvement as a Prepetition Inc. Lender or a Prepetition LP Lender.

nearly a year after the fact (and also after the Petition Date), U.S. Bank asserts that "the record shows that the value of One Dot Six Corp. is significantly greater than the total aggregate known, non-contingent, liquidated claims that have been asserted against it." (U.S. Bank Obj. ¶ 34, citing Moelis Presentation prepared on June 11, 2012). The fact that the Debtors may have had illiquid assets with highly speculative value in June 2012 does not negate the substantial evidence that, in August 2011, the Inc. Debtors were insolvent. The Objections present no evidence that any value could be realized from the One Dot Four and One Dot Six assets, which were illiquid and speculative, when the Prepetition Inc. Security Agreement was entered into. Indeed, U.S. Bank itself concedes that the only scenario in which LightSquared Inc. would realize value from the One Dot Six Lease on a standalone basis would be following an FCC rejection. (U.S. Bank Obj. ¶ 24 ("In the event that the FCC, on a final basis, were to deny the Debtors authorization to proceed with their hybrid satellite/terrestrial network, the Debtors would be able to realize the value of the One Dot Six Lease . . . .")) Accordingly, the Moelis Presentation is not an accurate indicator of the fair valuation of these assets in 2011 any more than it is a fair valuation now.

19. And, as set forth in the Motion and herein, the Proposed Complaint sufficiently pleads that LightSquared Inc. and its subsidiaries, facing a severe liquidity crisis, were insolvent in in the summer of 2011:

- [redacted]
- [redacted]
- [redacted]

4) The Proposed Complaint Adequately Alleges That The Security Interests Were Preferential

20. The Proposed Complaint sufficiently alleges that the preferential transfers entitled the Prepetition Inc. Lenders to more than they would receive on account of their claims in a chapter 7 liquidation in the absence of such transfers. (Rev. Compl. ¶¶ 86, 121, 148) U.S. Bank argues that the Proposed Defendants would not receive more than in a hypothetical liquidation because they are already entitled to the value of the Prepetition Inc. Guarantors under the Prepetition Inc. Guarantees. (U.S. Bank Obj. ¶ 39) Those Guarantees, however, are invalid and unenforceable. The Proposed Defendants simply ignore that the Prepetition Inc. Guarantees are subject to avoidance, and, once avoided, will be of no force or effect. See, e.g., United States v. Sims (In re Feiler), 218 F.3d 948, 953 (9th Cir. 2000) ("Once avoided [under 11 U.S.C. § 548, a] transaction is a nullity and is treated as if it never happened").

21. The Proposed Defendants are also wrong in arguing that standing should be denied because there are no material obligations to non-Prepetition Inc. Lenders. The test is

not whether the preference was a substantial one.[8] In any event, the impact on the creditors is not insignificant. First, U.S. Bank completely ignores the intercompany claims listed in the Inc. Debtors' schedules. Second, its own objections contradict each other as to the amount of legitimate creditors' claims. The U.S. Bank Objection filed by Akin Gump contends that these obligations amount to $20,000 (U.S. Bank Obj. ¶ 33), but the U.S. Bank Supplemental Objection filed by Alston & Bird represents that the amount of claims held by these creditors is $710,000. (U.S. Bank Suppl. Obj. ¶ 4) At this juncture, it is premature to determine the amount by which the Prepetition Inc. Lenders were benefitted by the preference. It is sufficient, at this stage, to provide a fair notice of claims under Rule 8 of the Federal Rules of Civil Procedure; and the Proposed Complaint does so. See Family Golf Ctrs. v. Acushnet Co., (In re Randall's Island Family Golf Ctrs., Inc.), 290 B.R. 55, 65 (Bankr. S.D.N.Y. 2003).

5) The Law Does Not Require An Exclusive Benefit To Creditors

22. Proposed Defendants' argument that the Motion be denied because equity may also benefit from the preference and avoidance claims is wrong. (U.S. Bank Obj. ¶ 32; U.S. Bank Suppl. Obj. ¶ 2) Certainly there is no textual limitation within the Bankruptcy Code on the use of chapter 5 actions to benefit equity. Indeed, the language of the Bankruptcy Code supports a recovery on account of an avoided transfer for the benefit of equity so long as creditors are paid in full. Mellon Bank, N.A. v. Dick Corp., 351 F.3d 290, 293 (7th Cir. 2003) ("Section 550(a) speaks of benefit to the estate—which in bankruptcy parlance denotes the set of all potentially interested parties—rather than to any particular class of creditors.").

[8] Indeed, the Bankruptcy Code specifically defines when a preference action would be de minimis, which is not the case here. See 11 U.S.C. § 547(c)(9) (precluding a trustee from avoiding a transfer, in a case filed by a debtor whose debts are primarily non-consumer debts, where the aggregate value of the property that constitutes or is affected by the transfer is less than $5,850).

23. Courts in this district have "decline[d] to embrace an all-encompassing bright line rule holding that a fraudulent conveyance claim can never be brought to benefit equity." In re Bayou Group, LLC, 372 B.R. 661, 664 n.2 (Bankr. S.D.N.Y. 2007). The court in Bayou Group reasoned that, while in most cases fraudulent conveyance claims may be asserted only to the extent necessary to benefit creditors, under certain circumstances, such as in the case of "a fraudulent scheme by rogue management," permitting the use of fraudulent conveyance actions to benefit equity investors, as well as creditors, "would not offend any statutory language and would serve Bankruptcy Code objectives." Id.; see also Calpine Corp. v. Rosetta Res., Inc. (In re Calpine Corp.), 377 B.R. 808, 811 (Bankr. S.D.N.Y. 2007) (declining to dismiss fraudulent transfer action on basis of defendant's assertion that the creditors would be paid in full).

24. Authority outside of the Second Circuit also supports the use of avoiding powers to benefit equity after creditors have been paid in full. See, e.g., Acequia, Inc. v. Clinton (In re Acequia, Inc.), 34 F.3d 800, 811 (9th Cir. 1994) ("Courts construe the 'benefit to the estate' requirement broadly, permitting recovery under section 550(a) even in cases where distribution to unsecured creditors is fixed by a plan of reorganization and in no way varies with recovery of avoidable transfers."); Dick Corp., 351 F.3d at 293 (finding that Bankruptcy Code provision permitting recovery of transfers avoided does not require benefit to creditors, rather, "[s]ection 550(a) speaks of benefit to *the estate*—which in bankruptcy parlance denotes the set of all potentially interested parties—rather than to any particular class of creditors.").

25. This Court should not interpret the law as protecting the Proposed Defendants' preferential and fraudulent transfers to insiders just because value was transferred away from the LightSquared Inc. Estate via its subsidiaries, rather than by LightSquared Inc. directly. See Pepper v. Litton, 308 U.S. 295, 304-05 (1939) (noting that bankruptcy courts'

equitable powers properly invoked to ensure "that fraud will not prevail, that substance will not give way to form, that technical considerations will not prevent substantial justice from being done.").

B. The Fraudulent Conveyance Claims Are Colorable

26. The Revised Complaint adequately pleads that the Prepetition Inc. Guarantees were fraudulent conveyances because the Prepetition Inc. Guarantors received no value in consideration for the obligations they incurred and were insolvent, rendered insolvent, or unable to pay the Prepetition Inc. Guarantees as they came due. (Rev. Compl. ¶¶ 45-46, 51-54) The Objections do not attack the fraudulent conveyance allegations in the Proposed Complaint, except to argue that the Ad Hoc Secured Group cannot assert One Dot Claims. As addressed above, the Proposed Defendants are wrong. (See supra ¶¶ 8-15)

C. The Recharacterization Claims Are Colorable

27. The evidence supporting the recharacterization claim in this case is striking. [redacted] (See Motion ¶¶ 73-89) This is a "paradigmatic" recharacterization case. See Adelphia Commc'ns Corp. v. Bank of Am., N.A. (In re Adelphia Commc'ns Corp.), 365 B.R. 24, 74 (Bankr. S.D.N.Y. 2007) (noting that the "paradigmatic" recharacterization case involves a situation where "the same individuals or entities (or affiliates of such) control both the transferor and the transferee, and inferences can be drawn that funds were put into an enterprise with little or no expectation that they would be paid back along with other creditor claims.").

28. One, the Objectors do not dispute that the Prepetition Inc. Loan was crafted and negotiated by Harbinger, an insider of the Debtors. U.S. Bank contends that this factor does not weigh in favor of recharacterization because Harbinger was not the only investor; but the evidence shows that none of the original Prepetition Inc. Lenders engaged in an arm's length transaction with the Debtors. Rather: (i) the other investors participated because of their close relationship with Harbinger; (ii) Harbinger, not UBS (the purported Administrative Agent), acted on behalf of all of the lenders; and (iii) Harbinger may have back-stopped or indemnified some of the other participants.

29. Moreover, to the extent complete identity of interest did not exist just prior to the transaction, it was forged by the deal itself, which provided investors a substantial warrant package. U.S. Bank argues that the issuance of warrants in conjunction with the Prepetition Inc. "loans" does not support recharacterization because the warrants were "entirely separate instruments." (U.S. Bank Obj. ¶ 44) The evidence suggests otherwise. See [redacted] It is remarkable that the Proposed Defendants argue that such a substantial part of the consideration

for the investment was somehow a separate transaction and apparently a gift, as there certainly was no other consideration for the warrants.

30. Two, the security interests granted to the Prepetition Inc. Lenders did not "balance" the fact that the investors were expecting to be repaid only if the Company achieved its highly speculative business plan. (U.S. Bank Obj. ¶ 44) Moreover, the Prepetition Inc. Credit Facility was unsecured at the time of its origination, the relevant date for the recharacterization analysis. See, e.g., Bayer Corp. v. MascoTech, Inc. (In re AutoStyle Plastics, Inc.), 269 F.3d 726, 747-48 (6th Cir. 2001) ("Recharacterization is appropriate where the circumstances show that a debt transaction was actually [an] equity contribution [ ] ab initio") (alteration in original) (citation omitted); In re Cold Harbor Assocs., L.P., 204 B.R. 904, 915 (Bankr. E.D. Va. 1997) (recharacterization considers whether a "transaction created a debt or equity relationship from the outset") (emphasis added). Accordingly, the security interests taken and liens granted well after the origination date are of no relevance to the recharacterization analysis. Moreover, the value of the liens and Prepetition Inc. Guarantees also hinges on the Debtors' highly speculative business plan because the value of the One Dot leases is tied to FCC approval.

31. Three, the Debtors were undercapitalized at the time of the transaction. The Objectors argue that, in July 2011, LightSquared Inc. "was adequately capitalized" (U.S. Bank Obj. ¶ 44), citing to the Moelis Presentation, a document generated by the Debtors' post-petition financial advisor in June 2012. As described above (see supra ¶¶ 18-19) the contemporaneous evidence shows that the Inc. Debtors were severely undercapitalized at the time of the investment. In fact, LightSquared Inc. and the Prepetition Inc. Guarantors were facing a liquidity crisis and were unsure whether they could even keep the lights on in the coming months. See [redacted]

[redacted]

32. In any event, now is not the time, on an incomplete record, to make determinations as to capitalization. At this stage, the Ad Hoc Secured Group was required to make only general allegations that the debtors were undercapitalized, and was not required to prove the matter. In re Am.'s Hobby Ctr., 223 B.R. at 282 ("Because [a party bringing an STN motion] is not required to present its proof, the first inquiry is much the same as that undertaken when a defendant moves to dismiss a complaint for failure to state a claim.")

D. The Equitable Subordination Claims Are Colorable

33. As discussed in the Motion and above (see supra ¶¶ 16-17), all of the Prepetition Inc. Lenders should be treated as insiders. Even if there were arm's length participants in this transaction (which is not the case), the Ad Hoc Secured Group has set forth colorable equitable subordination claims. Other than hyperbole about the high bar set for equitable subordination claims, the Objectors do not argue otherwise.

E. The Aiding And Abetting Breach Of Fiduciary Duty Claims Are Colorable

34. The Revised Complaint adds causes of action for aiding and abetting a breach of fiduciary duty. There are four elements of such a claim: (1) the existence of a fiduciary relationship; (2) a breach of the fiduciary's duty; (3) knowing inducement or

participation by the defendant; and (4) damages. Malpiede v. Townson, 780 A.2d 1075, 1096 (Del. 2001). The proposed claims adequately plead each of these elements.

35. First, the Revised Complaint alleges the existence of a fiduciary relationship between the Inc. Debtors and their directors and controlling shareholders, including Harbinger. (Rev. Compl. ¶¶ 22-23, 169, 176, 183, 190) See Gantler v. Stephens, 965 A.2d 695, 708-09 (Del. 2009) (duties of officers are same as those of directors); Rosener v. Majestic Mgmt., Inc. (In re OODC, LLC), 321 B.R. 128, 142 (Bankr. D. Del. 2005) (shareholder does not even need to be a majority shareholder—the concepts of "dominance" and "control" are given their "ordinary meaning," and, "at a minimum . . . imply (in actual exercise) a direction of corporate conduct in such a way as to comport with the wishes or interest of the corporation (or persons) doing the controlling"). The "controlling" shareholder can technically be the shareholder of a separate entity, as long as the defendant held a "dominant position and/or actually 'controlled' the corporation's conduct." Rosener, 321 B.R. at 142; see also In re Primedia Inc. Derivative Litig., 910 A.2d 248, 250-51 (Del. Ch. 2006) (denying motion to dismiss of controlling stockholder who controlled Primedia "through a complex structure of intermediate entities"). The Revised Complaint adequately alleges the total domination and control that Harbinger exercised over LightSquared Inc. and the rest of the Company. (Rev. Compl. ¶¶ 55-58)

36. Second, the Revised Complaint alleges breaches of fiduciary duty. Rev. Compl. ¶¶ 169-70, 176-77, 183-84, 190-91) The duties of loyalty and care are owed "to the corporation." N. Am. Catholic. Educ. Programming Found., Inc. v. Gheewalla, 930 A.2d 92, 101 (Del. 2007). The duty of loyalty mandates that the best interests of the corporation take precedence over "any interest possessed by a director, officer or controlling shareholder and not

shared by the stockholders generally." Cede & Co. v. Technicolor, Inc., 634 A.2d 345, 361 (Del. 1993). A breach of the duty of loyalty is established if the plaintiff pleads facts demonstrating that the defendant (1) was interested in the transaction and/or (2) lacked independence to determine objectively whether a transaction was in the best interests of the corporation. Orman v. Cullman, 794 A.2d 5, 22-23 (Del. Ch. 2002); Pogostin v. Rice, 480 A.2d 619, 624 (Del. 1984) (providing that interested means (1) divided loyalties or (2) either appearing on both sides of a transaction, or receiving personal financial benefit not shared by the corporation).

37. Importantly, the fiduciary "bears the burden of proving [the transaction's] entire fairness" where, as here, a "controlling or dominating shareholder standing on both sides of a transaction." Orman, 794 A.2d at 20 (citing Kahn v. Lynch Communc'n Sys., Inc., 638 A.2d 1110, 1115 (Del. 1994)). Indeed, establishing that a transaction was entirely fair is extraordinarily challenging, especially on a motion to dismiss:

> Entire fairness is Delaware's most onerous standard, and it requires the [defendants] to demonstrate their utmost good faith and the most scrupulous inherent fairness of the bargain. . . . Given the fact-intensive nature of this enhanced scrutiny, a party bearing the burden of proving fairness faces a difficult road when moving for summary judgment, where the court views the record in the light most favorable to the non-moving party.

Encite LLC v. Soni, No. 2476, 2011 WL 5920896, at *20 (Del. Ch. Nov. 28, 2011); see also In re New Valley Corp., No. 17649, 2001 WL 50212, at *7 (Del. Ch. Jan. 11, 2001) (denying motion to dismiss and declining to conduct an entire fairness review at the motion to dismiss stage).

38. Here, the Revised Complaint alleges that Harbinger was a controlling party on both sides of the transaction. Consequently, there is no doubt that the entire fairness standard applies in evaluating the transaction. The Proposed Defendants cannot possibly discharge their burden of proving the entire fairness of the transaction. Indeed, the transfer of

valuable security interests for nominal or no consideration and causing LightSquared Inc. to document an equity contribution as debt in order to elevate the claims of insiders over legitimate creditors is entirely unfair.

39. Third, the Revised Complaint alleges knowing participation by the Proposed Defendants. Knowing participation simply requires facts from which a court may infer knowledge that the non-fiduciary's conduct would assist a breach of fiduciary duty. Gatz v. Ponsoldt, 925 A.2d 1265, 1276 (Del. 2007) (inferring knowledge of effect of transaction to dilute shareholder interest and transfer majority control); Jackson Nat'l Life Ins. Co. v. Kennedy, 741 A.2d 377, 391-92 (Del. Ch. 1999) (a claim of knowing participation must only provide factual allegations from which knowing participation can be inferred and "need not be pleaded with particularity").

40. Here, the Revised Complaint alleges that the Defendants knew LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due, knew that the Prepetition Inc. Guarantees were provided in exchange for no value, and knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit. (Rev. Compl. ¶¶ 31, 41-42, 45, 76) The Revised Complaint further alleges that the challenged transactions constituted fraudulent transfers and improper preferential transfers, and that counsel to the Debtors warned in a legal opinion that the Prepetition Inc. Security Amendment could be challenged as a preference. (Id. ¶¶ 78-93, 101-112, 113-140, 156-167)

41. Fourth, the Revised Complaint alleges damage. With respect to LightSquared Inc., the Proposed Defendants granted themselves value at the expense of LightSquared Inc. and to the detriment of its legitimate creditors, in the form of high interest

rates and a circumvention of the absolute priority rule. With respect to One Dot Four, One Dot Six, and One Dot Six TVCC, such Prepetition Inc. Guarantors obligated themselves in connection with the Prepetition Inc. Credit Agreement in exchange for no value, and, to no one's surprise, LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement. (Rev. Compl. ¶¶ 45-46, 67-68)

42. Accordingly, colorable claims of aiding and abetting breach of fiduciary duty exist and the Ad Hoc Secured Group should be granted standing to pursue them.

II. The Objections Do Not Refute That Pursuing These Claims Would Be Valuable To The Estates

43. At issue here are Estate claims worth potentially hundreds of millions of dollars. The Objections argue that the Ad Hoc Secured Group should be denied standing because, even if the Prepetition Inc. Security Agreement is avoided, value will remain trapped at the Prepetition Inc. Guarantors for the benefit of the Prepetition Inc. Lenders. (See U.S. Bank Obj. ¶¶ 47-50) Such arguments simply ignore the fact that the Prepetition Inc. Guarantees are invalid and unenforceable. (See Motion ¶¶ 73-89)

44. Nor should this litigation be deferred in the speculative hopes that the Debtors can, in the meantime, achieve their "homerun." Indeed, without any significant operating income, the Debtors should be seeking to expedite this litigation, not delay it. The fact that the Debtors' Statement seeks delay is simply indicative of their conflicted position. The Debtors are merely echoing Harbinger's persistent refrain in this case: that there is no need to investigate any prepetition transactions because (notwithstanding the Debtors' FCC issues) creditors will be paid in full. See, e.g., Harbinger Obj. ¶ 2 ("Because the Debtors and their advisors (as well as Harbinger) are confident that the Debtors will be able to propose and confirm a plan that pays creditors in full, Harbinger believes that any such investigation

ultimately will be unnecessary."); August 14, 2012 Hr'g Tr. at 35:11-13 (Dandeneau) ("[W]e believe at the end of the day, if the debtors are solvent, certainly as the debtor believes and as Harbinger believes, that this is a nonissue."). As set forth in the Motion, the claims are colorable and valuable, and the only unconflicted party who can pursue them is the Ad Hoc Secured Group.

45. Finally, the in pari delicto and other equitable doctrine arguments made by U.S. Bank and Harbinger are without any merit. (U.S. Bank Obj. ¶¶ 53-55 (claiming that entering into the Prepetition Inc. Credit Agreement was a requirement and for the benefit of Prepetition LP Lenders); Harbinger Obj. ¶¶ 10-11)) First, these equitable arguments ignore who the plaintiff is in this case. It is not the Prepetition LP Lenders asserting a claim on their own behalf and for their own benefit, but rather, the Ad Hoc Secured Group seeking to sue, derivatively, on behalf of the Estates.

46. Second, there is nothing inequitable or untoward about the Prepetition LP Credit Agreement requiring that LightSquared Inc. maintain a sufficient equity cushion in its subsidiary, LightSquared LP, and the Objectors do not cite a single case to the contrary. Rather, as the Motion contends, it was inequitable and untoward to make the required contribution via a transaction styled as a loan that elevated the claims of insiders over legitimate creditors, improperly encumbered Estate assets, and allowed the Proposed Defendants an opportunity for equity upside without any equity downside.

47. Third, Harbinger's contention that the Ad Hoc Secured Group misrepresents the facts and, therefore, should be equitably barred from receiving standing is absurd. As the Court is well aware, Harbinger repeatedly attempted to avoid its discovery obligations and was far from completing its production at the time the Motion was filed. Then,

once the Motion was filed, Harbinger argued that it was no longer under an obligation to produce any documents—an argument this Court rejected. Had Harbinger complied with the Ad Hoc Secured Group's discovery request in July, or August, or even September, the Motion may have avoided this criticism.

48. Nor has Harbinger proven that the Ad Hoc Secured Group misrepresented any facts, based on the information then available. For example, Harbinger complains that, "the Ad Hoc Secured Group attempts to paint the Inc. Loan as an insider transaction and even states, without any factual support, that "Harbinger controlled the 'lending' group." (Harbinger Obj. ¶ 4.) To the contrary, the mere fact that only Harbinger entities executed the Prepetition Inc. Security Agreement further demonstrates its control. (See Rev. Compl. ¶ 32) Moreover, although not necessary for standing, the Motion and Proposed Complaint cite several other facts to show that Harbinger controlled the "lending" group. (See Motion ¶ 95; Rev. Compl. ¶¶ 33, 69-70, 72)

49. Similarly, the Ad Hoc Secured Group's allegation that "upon information and belief, a side agreement existed between Harbinger and UBS such that UBS agreed to participate in the transaction only if Harbinger protected UBS dollar-for-dollar for the first $50 million of any loss incurred by UBS in connection with the investment" is supported by the facts. Harbinger calls this "dramatized hysteria" and suggests that the draft agreement attached to the emails cited by the Ad Hoc Secured Group "relat[ed] to an entirely different transaction (one in which UBS would serve as the sole lender)."[9] (Harbinger Obj. ¶ 7) The Proposed Defendants' argument is disingenuous, as there was no other $250,000,000 transaction contemplated or executed at the time. To the contrary, there was a single investment with

[9] Since the time these documents were produced (as responsive and non-privileged), counsel for Harbinger has made no attempt to claw them back as unrelated to the Prepetition Inc. Credit Agreement.

different proposed structures. And it is clear from contemporaneous documents (all of which Harbinger produced as responsive to the Ad Hoc Secured Group's request) that Harbinger and UBS were contemplating an indemnification side agreement in connection with this transaction.

50. [redacted]

51. Similarly, [redacted]

[redacted]

[redacted]

52. Finally, [redacted]

53. Harbinger produced these documents because they pertain to different iterations of the Prepetition Inc. Credit Agreement. Although the documents do not reveal whether an indemnity agreement was executed, made on a handshake or ultimately abandoned, the Ad Hoc Secured Group is, at this stage, entitled to the inference that such agreement existed.

54. In any event, after the conclusion of Federal Rule 26 discovery (including depositions) is the time to challenge the factual record, not now. While it is no surprise that the Proposed Defendants will contest the evidence, such advocacy is not a basis to deny standing.

CONCLUSION

WHEREFORE, the Ad Hoc Secured Group respectfully requests that the Court (i) enter an order substantially in the form attached to the Motion as Exhibit A; and (ii) grant such other and further relief as the Court deems just and proper.

Dated: November 14, 2012
New York, New York

WHITE & CASE LLP

By: */s/ Glenn M. Kurtz*
Glenn M. Kurtz

14
15 [redacted]

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EXHIBIT A

[Revised Complaint]

REDACTED VERSION

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: LIGHTSQUARED INC., *et al.,* Debtors.[1]	Chapter 11 Case No. 12-12080 (SCC) Jointly Administered
THE AD HOC SECURED GROUP OF LIGHTSQUARED LP CREDITORS, by and on behalf of LIGHTSQUARED INC.; ONE DOT FOUR CORP.; ONE DOT SIX CORP.; and ONE DOT SIX TVCC CORP., Plaintiffs, v. HARBINGER CAPITAL PARTNERS SP, INC.; BLUE LINE DZM CORP.; MAST AK FUND LP; MAST CREDIT OPPORTUNITIES I MASTER FUND LIMITED; MAST OC I MASTER FUND; MAST PC FUND LP; MAST SELECT OPPORTUNITIES MASTER FUND; SEAWALL CREDIT VALUE MASTER FUND, LTD; SEAWALL OC FUND, LTD; U.S. BANK NATIONAL ASSOCIATION; and DOES 1-100, Defendants.	Adv. Proc. No. 12-_____ (SCC)

COMPLAINT

[1] The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal or foreign tax or registration identification number, are: LightSquared Inc. (8845), LightSquared Investors Holdings Inc. (0984), One Dot Four Corp. (8806), One Dot Six Corp. (8763), SkyTerra Rollup LLC (N/A), SkyTerra Rollup Sub LLC (N/A), SkyTerra Investors LLC (N/A), TMI Communications Delaware, Limited Partnership (4456), LightSquared GP Inc (6190), LightSquared LP (3801), ATC Technologies, LLC (3432), LightSquared Corp. (1361), LightSquared Finance Co. (6962), LightSquared Network LLC (1750), LightSquared Inc. of Virginia (9725), LightSquared Subsidiary LLC (9821), LightSquared Bermuda Ltd. (7247), SkyTerra Holdings (Canada) Inc. (0631), SkyTerra (Canada) Inc. (0629), and One Dot Six TVCC Corp. (0040).

The Ad Hoc Secured Group of LightSquared LP Lenders (the "Ad Hoc Secured Group"), which is comprised of secured creditors and parties in interest in the above-captioned chapter 11 cases, by and through its undersigned counsel, on behalf of LightSquared Inc., and One Dot Four Corp., One Dot Six Corp., and One Dot Six TVCC Corp. (collectively, the "One Dot Plaintiffs"), for their Complaint against Harbinger Capital Partners SP, Inc.; Blue Line DZM Corp.; Mast AK Fund LP; Mast Credit Opportunities I Master Fund Limited; Mast OC I Master Fund; Mast PC Fund LP; Mast Select Opportunities Master Fund; Seawall Credit Value Master Fund, LTD; Seawall OC Fund, LTD; U.S. Bank National Association, and DOES 1-100, hereby alleges as follows:

NATURE OF THE ACTION

1. The Defendants assert secured claims collectively amounting to approximately $322 million against the Debtors. Through this Complaint, the Plaintiffs object to such claims, and seek subordination and recharacterization of such claims to reflect their true economic substance – they are equity investments, not debt investments. And equity requires that they be characterized as such and subordinated to the claims of the Prepetition LP Lenders. The concept of owning equity in a corporation and the concept of equity in jurisprudence do not allow investors to seek the upside of a business, while at the same time preserving their investment without the attendant risks, by elevating themselves above creditors in the event of a business failure. Yet, that is exactly what the Defendants seek to do in this matter.

2. This action serves to remedy the attempts by the Debtors' insiders, dominated and controlled by Harbinger Capital Partners LLC and its affiliated funds (collectively, "Harbinger"), to divert value from the Debtors' estates and to disguise the economic substance of their investment by labeling it as "credit" and by purporting to render such investment structurally superior to the existing debt of the Prepetition LP Lenders and other

legitimate creditors. The Defendants initiated this scheme through a July 1, 2011 "Credit Agreement," through which the Defendants sought to limit the downside risk of their investment by obscuring its true status as an equity investment. However, regardless of how the agreement was labeled, as a "Credit Agreement" with "interest" and a "maturity date," the investment was equity; and not only that, the very purpose of the investment was to benefit Harbinger to the detriment of creditors. The only reason the investment was implemented was because Harbinger controlled the Debtors, and Harbinger controlled the "lending" group, and therefore, Harbinger was able to construct and document a sham.

3. The investment did not seek a return on investment typical of debt instruments; rather, through warrants issued in connection with the "Credit Agreement," Defendants were gambling on an equity return – to the tune of one hundred fifty percent, hardly the kind of return expected on secured debt.

4. Notably, what Defendants identify and would have this Court accept as a "loan" was provided within a year of the bankruptcy filing, with no interest to be paid until maturity (a year later, but extended further thereafter), and LightSquared Inc. had no expectation that it would be capable of paying the principal and interest on the maturity date, even by its own projections.

5. Further, through the "Credit Agreement," with the assistance of improper corporate control wielded by Harbinger, the Defendants caused the One Dot Plaintiffs to provide upstream guarantees – guarantees which are fraudulent transfers because the subsidiaries received no benefit from guaranteeing the obligations of their parent, where the proceeds of the "loan" flowed just to insiders and a sister subsidiary.

6. Moreover, while the obligations under the Credit Agreement were unsecured, a month later, the same insiders purported to secure them, and thereby render the holders of the investment structurally superior to other creditors such as the Prepetition LP Lenders. In particular, the insiders caused the One Dot Plaintiffs to pledge all of their outstanding equity interests and pledge and grant liens and security interests in certain of their assets, as security for the investment. The only "lenders" who signed the "First Amendment to Credit Agreement," through which the security was memorialized, were Harbinger Capital Partners, SP and Blue Line DZM Corp., both owned and controlled by insiders of the Debtors. Ironically, the "First Amendment to Credit Agreement" recounts that it was "Borrower" that requested such amendments, as if a borrower would ever independently desire to add security for a loan that was not already required. Of course, the One Dot Plaintiffs received absolutely no benefit for the granting of such security – the security was simply a preference the insiders granted to themselves (and their fellow investors).

7. The insiders further tried to cleanse the true nature of the investments (equity plays) by transferring some of their "loan" commitments to other "lenders" – however, each of such transfers was accompanied by the transfers of large numbers of warrants, providing the acquiring investor the true value in the transaction – namely, the acquisition of stock in LightSquared Inc., with a potential value of several hundred million dollars and a massive return on investment.

8. Bottom line, Harbinger caused LightSquared Inc. to sell stock to Harbinger and others, while labeling the stock sale a "loan" in order to hedge Harbinger's bets and jump in front of other creditors in the event the Company filed for bankruptcy. [redacted]

[redacted]

9. It would be unjust and unfair to allow the Defendant insiders to succeed at the above scheme designed to let them and their fellow investors "cut in line" ahead of existing secured debtholders. This Complaint seeks redress to invalidate Harbinger's scheme.

JURISDICTION AND VENUE

10. This is an action:

(1) On behalf of LightSquared Inc. to (a) avoid and recover preferential transfers it made, in the form of its pledges of its equity interests in One Dot Four Corp. and One Dot Six Corp. to the Lenders under the July 1, 2011 Prepetition Inc. Credit Agreement (described below), in accordance with the Prepetition Inc. Security Amendment (described below), on or about August 23, 2011 (pursuant to 11 U.S.C. §§ 547 and 550); (b) equitably subordinate the purported debt described herein (and claims made thereon) to the claims of the Prepetition LP Lenders and other creditors (pursuant to 11 U.S.C. §§510 and 105); and (c) recharacterize certain purported debt as equity (pursuant to 11 U.S.C. § 105 and applicable case law);

(2) On behalf of One Dot Six Corp. to (a) avoid and recover the fraudulent transfer it made in the form of its guarantee of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement (pursuant to 11 U.S.C. §§ 548 and 550); and (b) avoid and recover the preferential transfer it made in the form of its pledges of

[2] [redacted]

its equity interest in One Dot Six TVCC Corp. and the One Dot Six Lease and associated assets and the proceeds of each of the foregoing to the Lenders under the Prepetition Inc. Credit Agreement, in accordance with the Prepetition Inc. Security Amendment, on or about August 23, 2011 (pursuant to 11 U.S.C. §§ 547 and 550).

(3) On behalf of One Dot Four Corp. to (a) avoid and recover the fraudulent transfer it made in the form of its guarantee of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement (pursuant to 11 U.S.C. §§ 548 and 550); and (b) avoid and recover the preferential transfer it made in the form of its pledge of the One Dot Four Lease and associated assets and the proceeds of each of the foregoing to the Lenders under the Prepetition Inc. Credit Agreement, in accordance with the Prepetition Inc. Security Amendment, on or about August 23, 2011 (pursuant to 11 U.S.C. §§ 547 and 550).

(4) On behalf of One Dot Six TVCC Corp. to avoid and recover the fraudulent transfer it made in the form of its guarantee of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement (pursuant to 11 U.S.C. §§ 548 and 550).

(5) On behalf of all Plaintiffs, against the Defendants for aiding and abetting the breaches of fiduciary duties owed by Harbinger and the officers and directors of the Plaintiffs, by using estate assets to circumvent and upset creditor priority and in directing the fraudulent transfers described herein.

11. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this proceeding is proper under 28 U.S.C. § 1409. This action is a core proceeding within the meaning of 28 U.S.C. § 157(b).

PARTIES

12. The Ad Hoc Secured Group is comprised of Prepetition LP Lenders (as defined below) representing over $1,080,000,000 of secured debt under the LP Credit Agreement described below. As of May 14, 2012, the total aggregate principal amount of loans outstanding under the LP Credit Agreement was approximately $1.7 billion. Furthermore, as stated in the LP Credit Agreement, and Schedule 1.01(b) thereto, LightSquared Inc. and certain of its subsidiaries are guarantors under the LP Credit Agreement.

13. LightSquared Inc. is a Debtor, and the direct and indirect parent company of the corporate enterprise comprised of each of the other Debtors in the above-captioned chapter 11 cases, as well as a number of non-Debtor affiliates identified in the Debtors' first day filings (collectively, the "Company").

14. Plaintiff One Dot Four Corp. ("One Dot Four") is a wholly owned subsidiary of LightSquared Inc. that was party to that certain Long Term De Facto Transfer Lease Agreement (the "One Dot Four Lease"), dated as of July, 2010, by and between One Dot Four, as lessee, TerreStar Corporation, and TerreStar 1.4 Holdings LLC, as lessor, pursuant to which One Dot Four was granted the right to use certain spectrum and take advantage of certain Federal Communications Commission ("FCC") licenses. Although the One Dot Four Lease was terminated, U.S. Bank, National Association, as successor administrative agent under the Prepetition Inc. Credit Agreement, retains a first priority security interest in any remaining collateral.

15. Plaintiff One Dot Six Corp. ("One Dot Six") is a wholly owned subsidiary of LightSquared Inc. that is party to that certain Lease Purchase Agreement (the "One Dot Six Lease"), dated as of April 13, 2010, between TVCC One Six Holdings LLC (an indirect subsidiary of One Dot Six), as seller, TVCC Holding Company, LLC (an indirect subsidiary of One Dot Six), and One Dot Six, as purchaser, pursuant to which One Dot Six obtained rights and obligations under certain lease agreements providing for certain spectrum rights and the use of certain patents.

16. Plaintiff One Dot Six TVCC Corp. ("One Dot Six TVCC") is a wholly owned subsidiary of One Dot Six that owns 100% of the interests in non-Debtor subsidiary, TVCC Holdings Company, LLC.

17. Harbinger is a private hedge fund controlled by Philip Falcone, which, at all times relevant hereto, indirectly owned approximately 96% of LightSquared Inc.'s outstanding common stock, and dominated and controlled the Company. In the years leading up to the Petition Date, Harbinger invested heavily in the Debtors through substantial equity contributions, and also made investments in the Company incorrectly styled as loans (the subject of this Complaint). Defendant Harbinger Capital Partners SP, Inc. ("Harbinger SP") is a Harbinger affiliate and was a participant in the Prepetition Inc. Credit Agreement described below. Defendant Blue Line DZM Corp. ("Blue Line") is a wholly owned subsidiary of Harbinger and was a participant in the Prepetition Inc. Credit Agreement described below.

18. At all relevant times, Harbinger dominated and controlled the Company in its entirety. Notably, Harbinger controls nine of eleven seats on the LightSquared Inc. Board of Directors. Based on its own audited financial statements, the Company, Harbinger, and Blue Line are under a "common control relationship." All of them are dominated and controlled by

Harbinger. Indeed, the Company's financial statements themselves repeatedly do not delineate among Harbinger and entities controlled by Harbinger such as Blue Line and Harbinger SP.

19. Defendants Mast AK Fund LP, Mast Credit Opportunities I Master Fund Limited, Mast OC I Master Fund, Mast PC Fund LP, and Mast Select Opportunities Master Fund (collectively, "Mast") are participating lenders in the Prepetition Inc. Credit Agreement, though they were not initially lenders. On information and belief, in the course of the transactions alleged herein, Mast appointed an agent to observe the board of LightSquared Inc. and had the option of appointing a board member.[3]

20. Defendants Seawall Credit Value Master Fund, LTD, and Seawall OC Fund, LTD (collectively, "Seawall") were participating lenders in the Prepetition Inc. Credit Agreement, although they were not initially lenders. On information and belief, Seawall sold all of its holdings in the Prepetition Inc. Credit Agreement to Mast in or around July 2012.

21. Defendant U.S. Bank National Association is the successor administrative agent and successor collateral agent under the Prepetition Inc. Credit Agreement, pursuant to a March 19, 2012 Resignation, Waiver, Consent and Appointment Agreement. As such, U.S. Bank National Association is the legal holder of collateral provided in connection with the Prepetition Inc. Credit Agreement (as amended), which Plaintiffs seek return of in this proceeding.

22. At all times relevant to the events alleged herein, the Board of Directors of each of the One Dot Plaintiffs consisted of the same individuals. The One Dot Plaintiffs also shared executives during the relevant time period, including Michael Montemarano who was the Chief Financial Officer for each of those entities (as well as for LightSquared Inc.). Several of

[3] [redacted]

the Directors and Officers of the One Dot Plaintiffs also served as Directors and Officers of LightSquared Inc.

23. Not only did the Directors and Officers of the One Dot Plaintiffs overlap with those of LightSquared Inc., they also overlapped with the Directors and Officers of Harbinger and Blue Line. At all times relevant to the events alleged herein, Keith Hladek was a Director and a Vice President at Harbinger, a Vice President at Blue Line, and a Director of the One Dot Plaintiffs and of LightSquared Inc.

BACKGROUND

A. HARBINGER MERGER

24. The Company is a business enterprise that intends to provide wireless communication services in North America. In furtherance of this objective, the Company has assembled spectrum ranges for wireless communication in the contiguous United States and Canada. If successful in securing appropriate governmental authorizations to use this spectrum for its intended purpose, the Company plans on offering an integrated terrestrial and satellite wireless service to provide nationwide fourth generation ("4G") broadband services in the continental United States on a wholesale-only basis. The terrestrial component of the Company's wireless service would use the Long Term Evolution ("LTE") technology platform, and the satellite component of the integrated service would, in addition to providing mobile satellite service throughout the continental United States and Canada, provide nationwide roaming coverage.

25. On information and belief, through a merger on March 29, 2010, between a predecessor company and another corporation formed and wholly owned, indirectly, by funds controlled by Harbinger, Harbinger acquired all of the outstanding common stock of LightSquared Inc. not previously held by Harbinger.

26. On information and belief, at the time of the above merger, the Company had significant immediate cash needs with limited time to raise capital, and debt markets were unavailable to provide additional financing based on the Company's leverage and the state of the capital markets. The Company's Board of Directors and a majority of shareholders agreed that the sale to Harbinger of all equity not already held by Harbinger represented the best alternative for shareholders. Following the merger, LightSquared Inc. continued as the surviving corporation and was wholly owned by Harbinger.

27. After the merger in July 2010, the Company continued work on a business plan with a primary goal of designing and implementing the first wholesale-only, nationwide 4G LTE wireless broadband network.

B. LP CREDIT AGREEMENT

28. On October 1, 2010, in order to fund the 4G LTE network, LightSquared LP, as borrower, entered into a credit agreement (as amended, modified, and/or supplemented, the "LP Credit Agreement") with certain guarantors including LightSquared Inc. and certain of its subsidiaries (in such capacity, the "Guarantors"), lenders (the "Prepetition LP Lenders") and other parties. At the time the LP Credit Agreement was executed and LightSquared Inc. guaranteed the loans made pursuant thereto, LightSquared Inc. had considerable unencumbered value in its subsidiaries One Dot Four and One Dot Six, which hold valuable spectrum leases. Under the LP Credit Agreement, LightSquared LP initially borrowed $850 million. Under the same agreement, on November 5, 2010 and February 22, 2011, LightSquared LP borrowed an additional $64 million and $586 million, respectively.

29. Between the date of the LP Credit Agreement and July 1, 2011, the Company was unable to overcome significant challenges in the design and implementation of its 4G LTE network, including securing FCC approval for the use of its spectrum. As July 1, 2011

approached, LightSquared Inc. faced the prospect of an event of default under the LightSquared LP Credit Agreement based on its inability to make an equity contribution to LightSquared LP due on July 1.

C. JULY 1, 2011 INVESTMENT IMPLEMENTED THROUGH "CREDIT AGREEMENT"

30. Still facing a severe capital shortage (as described in the Company's audited financial statements) and a restricted credit market, the Company turned to its equity holders to devise a scheme to generate funds in order to permit LightSquared LP to meet its capital requirements under the LP Credit Agreement. On information and belief, Harbinger developed a plan to further invest in the Company and reap the potential equity returns available if the Company succeeded, while simultaneously limiting the downside risk such an equity investment typically entails, by outwardly structuring the investment as debt.

31. On July 1, 2011, in an attempt by Harbinger to prolong the Company's existence, (and later, tying up the value of licenses and granting itself liens on valuable assets that otherwise would have been available to the Company's creditors), Harbinger caused LightSquared Inc. as "Borrower" to enter into the Prepetition Inc. Credit Agreement – a transaction styled as a loan – with UBS AG, Stamford Branch ("UBS") as Administrative Agent. In connection with such transaction, Harbinger also caused Debtors One Dot Four and One Dot Six, each a wholly owned direct subsidiary of LightSquared Inc., and Debtor One Dot Six TVCC (together with One Dot Four and One Dot Six, the "Prepetition Inc. Guarantors"), a wholly owned subsidiary of One Dot Six, to guarantee the purported loan (the "Prepetition Inc. Guarantees"). Michael Montemarano signed on behalf of each of the entities, as Chief Financial Officer. The Prepetition Inc. Credit Agreement provided for what was styled as a term loan of

$263,750,000 purporting to mature on July 1, 2012, and the option to request up to $66,250,000 in incremental "term loans" subject to the approval of the required lenders.

32. Through the Prepetition Inc. Credit Agreement, LightSquared Inc. initially received a commitment to receive $263,750,000, and made a borrowing request for the full amount, from Harbinger SP, Blue Line, and UBS collectively. On the date of funding, the purported "lenders" under the Prepetition Inc. Credit Agreement (as from time to time substituted, the "Prepetition Inc. Purported Lenders") were the following entities (the "Original Prepetition Inc. Purported Lenders"): Harbinger SP, in the amount of $150,000,000 (almost 57% of the face amount); Blue Line (a Harbinger affiliate), in the amount of $33,750,000 (almost 13% of the face amount); and UBS, in the amount of $80,000,000 (approximately 30% of the face amount). Mr. Hladek signed the Lender Addendums effectuating the commitments for both Harbinger and Blue Line.

33. On information and belief, Harbinger, who dominated and controlled both Harbinger SP and Blue Line, as well as LightSquared Inc., controlled and directed all terms of the Prepetition Inc. Credit Agreement. Harbinger, in effect, negotiated both sides of the deal, resulting in a transaction with nonmarket terms.

34. [redacted]

[4] [redacted]

35. The Prepetition Inc. Credit Agreement had a stated interest rate of 15% per year, payable quarterly and a stated maturity date of July 1, 2012. However, these terms were both illusory.

36. The Prepetition Inc. Credit Agreement included an option to pay interest in kind, by simply adding the interest to the principal amount outstanding (which, of course, LightSquared Inc. exercised – indeed, the Company's financial statements did not even identify such interest payments as cash commitments for the year ending June 30, 2012).

37. In addition, absent "shooting the moon" with the FCC, the parties did not have a reasonable expectation that LightSquared Inc. could repay the principal amount outstanding at the maturity date, let alone the accrued interest on such amount. The Company, and specifically LightSquared Inc., was grossly undercapitalized at the time. Indeed, in July 2011, the Company was unsure whether it could even pay its most essential bills absent an immediate infusion of capital. [redacted] As such, the Company was properly concerned about its very survival.[6]

38. Further, the funds to be received through the Prepetition Inc. Credit Agreement were earmarked to make an equity contribution to LightSquared LP and to pay off a $25 million existing loan from Blue Line. [redacted]

[5] [redacted]
[6] [redacted]

[redacted] In the first half of 2011, the Company had a net operating loss of over $300 million. [redacted]

39. Moreover, the true motivating incentive for the investment was the potential for equity returns. [redacted] Based on contemporaneous valuation estimates by the Company in proceedings before the FCC, the potential value of the Warrants was approximately $350 million.[9] The "purchase" price in the warrant agreements – a penny per share – rendered

[7] [redacted]
[8] Id.
[9] Per a report commissioned by LightSquared Inc. dated June 22, 2011 (nine days before the Prepetition Inc. Credit Agreement closed), the Company's enterprise value would, reduced by $2 billion in debt, be approximately $10

the shares identified in the agreements essentially gifts. [redacted]

On information and belief, these Warrants and the potential return therefrom (which could be in the hundreds of percent), and not the 15% interest rate (which everyone knew would likely not be paid upon maturity), drove the Defendants' expected rate of return. The parties did not expect a 15% return from the "loan."

40. The Warrants, and their potential for outsize returns in the upside case, were necessary as an inducement to the Prepetition Inc. Purported Lenders because they knew of the significant possibility that they would not be repaid in the downside case. Indeed, the Warrants were a critical component of the transaction to potential and actual investors.[10]

41. The Prepetition Inc. Purported Lenders only expected their loan to be repaid in accordance with its terms if the Company was successful – LightSquared Inc.'s ability to repay its obligations was completely dependent upon the Company's performance, which was largely in question at the time. And, if the Company had been successful, their overall returns

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billion after FCC approval of LightSquared Inc.'s commercial exploitation of the 4G LTE network, which could have come within the initial one year term of the Prepetition Inc. Credit Agreement. The penny Warrants issued in connection with the Prepetition Inc. Credit Agreement represented 3.5% of outstanding interests in the Company. Thus, the value of those Warrants would have been approximately $350 million, which, when combined with the 15% PIK interest (based on a one-year maturity, $39,562,500), would yield a total return of $389,562,500. See C. Bazelon, *GPS Interference: Implicit Subsidy to the GPS Industry and Cost to LightSquared of Accommodation* (June 22, 2011) available at http://www.brattle.com/_documents/UploadLibrary/Upload957.pdf (sponsored by LightSquared Inc.).

[10] See, e.g., [redacted]

for entering into the Prepetition Inc. Credit Agreement would have been many times the value of the "loan." On information and belief, the Prepetition Inc. Purported Lenders expected that the return on their "loan," based on the Warrants they received for funding it, would be approximately 150% (and possibly much more) if the FCC approved LightSquared Inc.'s commercial implementation of its 4G LTE network. Absent FCC approval, there was no real possibility of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement being repaid in accordance with its terms. [redacted]

42. Given the circumstances facing the Company at the time, the Prepetition Inc. Purported Lenders could only reasonably expect one of two outcomes: The FCC would approve commercial use of the 4G LTE network in the near term, making the Warrants incredibly valuable and permitting the "loan" to be paid off (and making the warrant holders very rich), or the FCC would rule against the Company and the Prepetition Inc. Purported Lenders end up in bankruptcy demanding payment on a purported secured claim. Under no realistic scenario would the "loan" be repaid in the ordinary course. These all-or-nothing alternatives are the expectations of equity investors, not bona fide lenders.

43. In sum, the only real prospect LightSquared Inc. had of repaying its obligations under the Prepetition Inc. Credit Agreement was to be successful before the FCC,

[11] [redacted]

creating massive equity value and unlocking new borrowing capacity. This is illustrated by the fact that insiders Harbinger and Blue Line had to fund approximately 70% of the Prepetition Inc. Credit Agreement, and only the Administrative Agent, entitled to additional fees and possible indemnification from Harbinger, was willing to make up the balance (which it promptly dumped).[12] LightSquared Inc. had no real borrowing capacity at the time it entered into the Prepetition Inc. Credit Agreement and its ability to refinance the Prepetition Inc. Credit Agreement therefore depended entirely upon its future success. While the Prepetition Inc. Guarantors facially provided an alternative source of repayment, they held no significant liquid assets and the value of their illiquid assets—access to spectrum capacity for the 4G LTE Network—rose and fell at all times with LightSquared Inc.'s success or failure before the FCC. Accordingly, repayment of the purported obligations under the Prepetition Inc. Credit Agreement was dependent entirely upon the success of LightSquared Inc.'s business.

44. [redacted]

45. Importantly, the Prepetition Inc. Guarantors received no value from granting guarantees to the Prepetition Inc. Purported Lenders. The proceeds of the Prepetition Inc. Credit Agreement were used to (a) make a $250 million cash common equity contribution to LightSquared LP—a subsidiary of LightSquared Inc. but not the Prepetition Inc. Guarantors; and (b) refinance an existing $13.75 million obligation of LightSquared Inc. to an insider. The

12 [redacted]

13

proceeds were not used to meet the daily operating needs of LightSquared Inc. or the Prepetition Inc. Guarantors.

46. In addition, on information and belief, the Prepetition Inc. Guarantors were insolvent when they made the guarantees, were rendered insolvent thereby, and/or would otherwise be unable to pay their guarantees as they came due. Under the terms of the Prepetition Inc. Credit Agreement, each Prepetition Inc. Guarantor is jointly and severally liable for the entire outstanding amount of the Prepetition Inc. Credit Agreement, which began at $263.75 million and swelled to over $320 million less than a year later. Given the financial condition of LightSquared Inc. as of the date of the Prepetition Inc. Credit Agreement, there was at all times a substantial likelihood that the guarantees would be called. That LightSquared Inc. Guarantor One Dot Six TVCC would be unable to fulfill its guarantee obligations in respect of the Prepetition Inc. Credit Agreement when it matured, and that it was also rendered insolvent by granting the guarantee, is apparent from the face of the Prepetition Inc. Credit Agreement, which states: "One Dot Six TVCC Corp. has no material assets and conducts no material operations." Likewise, on information and belief, the other Prepetition Inc. Guarantors had no reasonable prospects of meeting their guarantee obligations under the Prepetition Inc. Credit Agreement in the likely event that they matured, and the incurrence of such obligations rendered these Prepetition Inc. Guarantors insolvent.[14]

D. IN CONTROL OF BOTH BORROWER AND "LENDERS," HARBINGER DIRECTS PREFERENTIAL TRANSFERS BY GRANTING ITSELF SECURITY

47. No grant of security was included in the July 1, 2011 Prepetition Inc. Credit Agreement. Thus, as of July 1, 2011, when they were incurred, any obligations of LightSquared

[14] Neither One Dot Four nor One Dot Six had meaningful operations or maintained liquid assets sufficient to meet any probable liability under the Prepetition Inc. Credit Agreement.

Inc., as borrower, and the Prepetition Inc. Guarantors (the "Prepetition Inc. Obligations") were unsecured, as recognized in the Company's financial statements.

48. However, on August 23, 2011, fifty-three days after execution of the Prepetition Inc. Credit Agreement, the obligations were purportedly secured.

49. On August 23, 2011, that certain First Amendment to Credit Agreement (the "Prepetition Inc. Security Amendment") was executed by (a) LightSquared Inc.; (b) the Prepetition Inc. Guarantors; (c) UBS, in its capacity as Administrative Agent under the Prepetition Inc. Credit Agreement and as Collateral Agent pursuant to the Prepetition Inc. Security Amendment; and (d) Harbinger and Blue Line, as Prepetition Inc. Purported Lenders. Importantly, no purportedly non-insider Prepetition Inc. Purported Lender executed the Prepetition Inc. Security Amendment; only insider lenders did. The only lenders signing were Harbinger controlled – Harbinger SP and Blue Line, both by Ian Estus as Vice President. Notably, the Prepetition Inc. Security Amendment was executed by Kurt Hanfler as Vice President and Treasurer for all of LightSquared Inc. and each of the Prepetition Inc. Guarantors.

50. Importantly, at such time, on information and belief, the Company's financial condition had not improved, and LightSquared Inc. and the Prepetition Inc. Guarantors were insolvent. Regardless of how the values were booked, the value of Debtors' assets depended on the FCC's approval of the Company's spectrum use. In other words, the value of the assets assumed the future contingency of FCC approval for spectrum use. Actual value must be calculated based on present circumstances, not based on mere assumption that approval might (or might not) be granted in the future. Upon information and belief, LightSquared Inc. did not discount its book values based on the possibility of FCC approval, but merely assumed it, even though LightSquared Inc. was well aware of the challenges it faced in obtaining such approvals.

LightSquared Inc. was aware that it faced significant challenges in obtaining FCC approval of spectrum use that was necessary to its business. Even at the time that it was granted a conditional waiver to operate and test its 4G LTE network, the Company knew that the FCC would not permit commercial spectrum use that would interfere with the GPS spectrum,[15] and the Company would be forced into full-blown litigation before the FCC with GPS interests that were presenting credible evidence of interference.

51. Yet, through the Prepetition Inc. Security Amendment, the Prepetition Inc. Credit Agreement was amended to grant to the Prepetition Inc. Purported Lenders (and to the Administrative Agent and Collateral Agent (UBS at the time, and later, U.S. Bank National Association)) the following security interests to secure the Prepetition Inc. Obligations: (1) the pledge of all issued and outstanding equity interests in each of the Prepetition Inc. Guarantors; (2) certain assets of One Dot Four and One Dot Six (namely, the One Dot Four Lease and related assets and the One Dot Six Lease and related assets); and (3) all products and proceeds of each of the foregoing. This security provided priority liens on hundreds of millions of dollars in (albeit illiquid) assets that otherwise would have been available to creditors of the Company. Indeed, this transaction reflects Harbinger's plan to tie up the value of the licenses held by the One Dot Plaintiffs to protect Harbinger, and to provide Harbinger and the Prepetition Inc. Purported Lenders with senior liens on such assets ahead of the Prepetition LP Lenders (which held guarantees from LightSquared Inc.).

[15] See "Statement From FCC Spokesperson Tammy Sun on Letter From NTIA Addressing Harmful Interference Testing Conclusions Pertaining to LightSquared and Global Positioning System," dated February 14, 2012 ("The [FCC] clearly stated from the outset that harmful interference to GPS would not be permitted. This is why the Conditional Waiver Order issued by the [FCC]'s International Bureau prohibited [LightSquared Inc.] from beginning commercial operations unless harmful interference issues were resolved.") (Available at http://hraunfoss fcc.gov/edocs_public/attachmatch/DOC-312479A1.txt).

52. The Prepetition Inc. Security Amendment recites that it is entered into "in consideration of the premises and mutual covenants [t]herein contained." Nowhere in the Prepetition Inc. Security Amendment is there any indication that LightSquared Inc. or any of the Prepetition Inc. Guarantors received any consideration whatsoever for transferring substantial security to insiders under the Prepetition Inc. Security Amendment. In the Chapter 11 cases, Harbinger has argued that it provided an additional $15 million in funding in exchange for liens securing nearly $264 million in existing unsecured loans. Plainly, an additional $15 million in financing would be insufficient consideration to support this security giveaway. [redacted]

53. [redacted]

54. And, in fact, no substantial consideration was provided by the Harbinger entities (or any of the Prepetition Inc. Purported Lenders) for the liens.

55. But for the preferential Prepetition Inc. Security Amendment and avoidable Prepetition Inc. Guarantees, the Prepetition Inc. Purported Lenders' claims against LightSquared Inc. would have been pari passu with LightSquared Inc.'s other creditors with respect to the value of One Dot Four and One Dot Six. By taking those entities' stock as a pledge, Harbinger

[16] [redacted]

gave itself and the other Prepetition Inc. Purported Lenders a superior position with respect to those assets (which constituted the bulk of the value supporting LightSquared Inc.'s guarantee of the LP Credit Agreement). Likewise, on information and belief, One Dot Four and One Dot Six had other creditors and intercompany obligations at the time of the pledge, and by causing those entities to pledge their assets, gave the Prepetition Inc. Purported Lenders a superior position with respect to those assets.[17]

56. Indeed, Harbinger's control of LightSquared Inc. and the Prepetition Inc. Guarantors was so complete that Harbinger could compel each such entity to encumber its assets in favor of the Prepetition Inc. Purported Lenders– indeed, Harbinger's extraction of asset pledges and liens from LightSquared Inc. and the Prepetition Inc. Guarantors for the benefit of Harbinger and the other Prepetition Inc. Purported Lenders on account of their Prepetition Inc. Obligations was an effort to ensure precisely that.

57. Moreover, the Prepetition Inc. Security Amendment was made not to benefit the Company, but rather to protect Harbinger. [redacted]

58. [redacted]

[17] See One Dot Four Schedule of Assets and Liabilities [Docket No. 167] (listing, among others, non-intercompany contingent liability to First Energy); One Dot Six Schedule of Assets and Liabilities [Docket No. 168] (listing, among others, various trade payables).

[18] [redacted]

[redacted]

[redacted]

[redacted]

E. INVESTMENTS IN THE PREPETTION INC. CREDIT AGREEMENT WERE NOT MADE AT ARM'S LENGTH

59. The ownership of the investment interests related to the Prepetition Inc. Credit Agreement did change hands. However, each time the transfer of an interest occurred, the acquirer was granted warrants for the purchase of LightSquared Inc.'s common stock [redacted]

[redacted]

60. On information and belief, the analyses performed by the "lenders" who invested in the Company through the Prepetition Inc. Credit Agreement focused not on any likely ability of the Company to pay back the amounts owed on the maturity date (because that was not the expectation), but rather on the residual value of the Company – the spectrum licenses held by the Company, the value of the Company's equity and the resulting value of the warrants they would be given in connection with the investment.

61. Further, on information and belief, purportedly "outside" investors were permitted to observe Lightsquared Inc.'s board. On information and belief, Mast (or an affiliate of Mast), presently a direct or indirect holder of considerable Prepetition Inc. Obligations and Warrants, had appointed an agent to observe LightSquared Inc.'s board after acquiring its Prepetition Inc. Obligations, including at the time the preferential liens were transferred. On information and belief, Mast was given the option of appointing a LightSquared Inc. board member.[19]

[19] [redacted]

62. Moreover, Mast had a close relationship with LightSquared Inc. such that its transactions with LightSquared Inc. cannot be said to be at arm's length. Its considerable holdings of Prepetition Inc. Obligations and Warrants were acquired for the purposes of obtaining, and entitled it to, information that was not publically available to outsider investors.

63. In addition to being a statutory insider, Mast and all of the other Prepetition Inc. Purported Lenders came under common control of the Debtors by ceding their decision making under the Prepetition Inc. Credit Agreement to Harbinger. Mast and the other Prepetition Inc. Purported Lenders accepted the benefits of Harbinger's control over LightSquared Inc. and the Prepetition Inc. Guarantors as it caused these entities to transfer security interests for the benefit of the Prepetition Inc. Purported Lenders. Harbinger dominated and controlled the Prepetition Inc. Credit Agreement in fact and by its terms. Indeed, at all times relevant hereto, Harbinger entities held sufficient interests under the Prepetition Inc. Credit Agreement to constitute the "Required Lenders," giving them considerable control. For example, Harbinger acted unilaterally to make additional advances under the Prepetition Inc. Credit Agreement and had the authority to unilaterally sign the Prepetition Inc. Security Amendment. As willing subjects of Harbinger's control under the credit agreement and beneficiaries of Harbinger's control of LightSquared Inc. and the Prepetition Inc. Guarantors, the Prepetition Inc. Purported Lenders are insiders of those entities.

64. [redacted]

[redacted]

65. In addition to the fees it would earn in connection with the Prepetition Inc. Credit Agreement, on information and belief, UBS had additional relationship-related reasons for funding the loan and may have been backstopped by Harbinger. Thus, although UBS was an "outside" lender, that fact alone fails as a proxy for the entire investment because, (a) the majority of the loan was initially funded by insiders; and (b) the "non-insider" lender had incentives to fund unrelated to LightSquared Inc.'s creditworthiness or other market considerations.

66. As the above alleged facts show, the purpose of the Prepetition Inc. Credit Agreement and subsequent LightSquared Inc. Security Agreement was to benefit Harbinger and the Prepetition Inc. Purported Lenders to the detriment of legitimate creditors. Harbinger controlled the Company and controlled the "lending group," and negotiated with itself to create a "loan" that almost assuredly would not be repaid at "maturity," but if the Company prevailed with the FCC, would result in windfall profits. Harbinger did this as a last ditch shot to preserve its equity interest in the Company, while attempting to mitigate the downside by calling the investment "credit."

F. BANKRUPTCY FILING BECOMES IMMINENT

67. Notwithstanding the cash infusion provided by the Prepetition Inc. Credit Agreement, and notwithstanding that LightSquared Inc. deferred all payments under the Prepetition Inc. Credit Agreement by exercising its PIK option, the Company recognized even before the Prepetition Inc. Credit Agreement was funded that it had insufficient liquidity to continue operations in the near term.

68. The Company's slim prospects for continuing to avoid default under its existing obligations were foreclosed in early 2012. On February 14, 2012 the FCC issued a public notice whereby it proposed to vacate its conditional waiver permitting the Company to operate and test its 4G LTE network and invited comment from interested parties. The basis for the FCC's proposal was that—as it had warned the Company at the outset of its application process—the FCC could not approve spectrum use that would interfere with the use of GPS equipment. As a consequence, on March 15, 2012, a major agreement between the Company and SprintCom, Inc. concerning the Company's 4G LTE network terminated, triggering an event of default under the LP Credit Agreement.

69. On March 15, 2012, LightSquared Inc., as borrower; One Dot Four, One Dot Six, and One Dot Six TVCC, as the Prepetition Inc. Guarantors; the Prepetition Inc. Purported Lenders party thereto; and UBS, as administrative agent, entered into a Waiver and Second Amendment to the Prepetition Inc. Credit Agreement. Through such agreement, the parties:

- Provided for the amendment of certain events of default and negative covenants and provided for the waiver of several events of default under the Prepetition Inc. Credit Agreement (including: (1) resulting from the failure to make payments under or the termination of the One Dot Four Lease; (2) resulting from the termination of the agreement with Sprint; and (3) arising out of (a) the action taken by the FCC described above and (b) non-payment of amounts due under another agreement related to spectrum licenses).

- Extended the Maturity Date under the Prepetition Inc. Credit Agreement to December 31, 2012, though there continued to be no expectation at the time that LightSquared Inc. would be able to pay the principal and accrued interest on that date.

- Added Section 10.19, which provides for the subordination in right of payment of the "loans" of affiliate lenders (i.e., Harbinger SP and Blue Line) and payments under the Prepetition Inc. Guarantees in respect of such "loans" to the prior payment in full in cash of all "loans" not held by such affiliate lenders.

70. [redacted]

71. On March 29, 2012, to fully effectuate the subordination described above, the existing purportedly Non-Affiliate Prepetition Inc. Purported Lenders (Mast and Seawall) and the Affiliate Prepetition Inc. Purported Lenders (Blue Line and Harbinger SP) entered into a Lender Subordination Agreement, acknowledged by U.S. Bank, National Association, as successor administrative agent and each of the Loan Parties party thereto. This agreement provided that Non-Affiliate Prepetition Inc. Purported Lenders must be repaid in full before Affiliate Prepetition Inc. Purported Lenders can be repaid, including pursuant to a bankruptcy proceeding.

72. [redacted]

G. THE CHAPTER 11 CASES

73. On May 14, 2012 (the "Petition Date"), each of the Debtors filed a voluntary petition under Chapter 11 of the Bankruptcy Code in this Court.

74. These Chapter 11 Cases are jointly administered for procedural purposes. The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

75. No official committee has been appointed in the Chapter 11 Cases. No request for the appointment of a trustee or examiner has been made in the Chapter 11 Cases.

76. While Defendants have asserted a secured claim for approximately $322 million based on the Prepetition Inc. Credit Agreement, all claims based on that agreement

should be recharacterized as equity and subordinated to the claims of the Prepetition LP Lenders.

On information and belief:

- The transaction initiated by the Prepetition Inc. Credit Agreement does not bear the earmarks of an arm's length transaction. Indeed, the very purpose of the "loan" was to benefit Harbinger to the detriment of the Company's creditors. And the only way the investment was able to be carried out was because Harbinger controlled LightSquared Inc.; Harbinger controlled the Prepetition Inc. Guarantors; Harbinger controlled the "lending" group; and Harbinger promised the "lenders" an equity return. The Company had no ability to obtain true, simple loans from outside lending institutions.

- At the time of the investment, and thereafter, LightSquared Inc. was undercapitalized.

- The Defendants' claims are largely those of insiders and/or derive from the participation of insiders. The vast majority of funds provided under the Prepetition Inc. Credit Agreement came from insiders. The initial investors were Harbinger SP, an insider, Blue Line, an insider, and UBS. Harbinger SP and Blue Line collectively provided approximately 70% of the initial commitments under the Prepetition Inc. Credit Agreement.

- In effect, Harbinger, who dominated and controlled each of the Debtors (including LightSquared Inc., One Dot Four, One Dot Six and One Dot Six TVCC) and dominated and controlled the "lending" group, negotiated both sides of the deal. It negotiated for the "borrower," for the "guarantors," and the "lenders."

- At the time of the Prepetition Inc. Credit Agreement, the obligations thereunder were unsecured. It was not until almost two months later, on August 23, 2011, through the "First Amendment to Credit Agreement" that the obligations were secured.

- On information and belief, the intent of the Debtors and Defendants was to participate in an investment driven by the possibility of equity returns, and they did not intend or believe that they were entering into a true debtor-creditor relationship.

- While facially, the Prepetition Inc. Credit Agreement purports to evidence debt, the Prepetition Inc. Credit Agreement itself reveals the true nature of the transaction as an equity play, based on the warrants referenced in the Prepetition Inc. Credit Agreement and issued in connection therewith.

- Although the Prepetition Inc. Credit Agreement purports to evidence debt, the economic reality confronting LightSquared Inc. and the Defendants at the

inception of the Prepetition Inc. Credit Agreement and thereafter evidences the intent to provide the Defendants with an equity return through the transaction.

- While facially, the Prepetition Inc. Credit Agreement stated a maturity date of July 1, 2012, which, on March 15, 2012, was later extended to December 31, 2012, such dates were meaningless. At the time each Defendant signed on as a "lender" in connection with the Prepetition Inc. Credit Agreement, no reasonable expectation existed that the funds provided to LightSquared Inc. in connection with the Prepetition Inc. Credit Agreement would be repaid upon maturity; LightSquared Inc. itself had no expectation that it would have funds to repay the amounts received under the Prepetition Inc. Credit Agreement.

- While facially, the Prepetition Inc. Credit Agreement did have a stated interest rate of 15%, such interest rate also was meaningless. The Prepetition Inc. Credit Agreement stated that interest did not need to be paid until maturity (and of course, it was not), when it would be added to the principal amount. Further, no expectation existed that LightSquared Inc. would be able to pay such interest at "maturity." Moreover, the 15% interest rate did not drive the expected rate of return on the investment. The motivating factor for the "lenders" to participate was not the 15% interest rate stated on the face of the Prepetition Inc. Credit Agreement, because the lenders knew it was highly unlikely the payment of such interest would occur upon maturity.

- Rather the warrants – an equity investment – given to the Defendants to incentivize them to enter into the transactions in which Defendants signed on as "lenders," overwhelmingly drove the Defendants' expected rate of return.

- The Defendants expected to receive an equity-like return from their investment. Such returns were contingent on the success of LightSquared Inc. and in particular on the reversal of the FCC position with respect to the use of certain licenses owned by the Company.

77. In seeking to stonewall and deny discovery to the Ad Hoc Secured Group related to the investigation of this Complaint, Harbinger asserted that "as these cases progress, it will become clear that sufficient value exists to pay all creditors in full under a chapter 11 plan." This position simply reinforces that justice requires the subordination and recharacterization of Defendants' claims – if Harbinger's assertion is true, then Defendants have nothing to worry about and everyone will be paid in full.

FIRST
CLAIM FOR RELIEF

(Avoidance and Recovery of Preferential Transfer – 11 U.S.C. §§ 547 and 550)
(LightSquared Inc. Against All Defendants)

78. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

79. Under 11 U.S.C. § 547, any debtor may avoid any transfer of an interest of the debtor in property, (1) to or for the benefit of a creditor, (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made, (3) made while the Debtor was insolvent, (4) made (A) on or within 90 days before the date of the filing of the petition, or (B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider, and (5) that enables such creditor to receive more than such creditor would receive if (A) the Debtor's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

80. Within one year of the Petition Date, LightSquared Inc. made transfers ("LightSquared Inc. Preferential Transfers") to the Defendants in the form of LightSquared Inc.'s pledges of its equity interests in One Dot Four and One Dot Six, pursuant to the "First Amendment to Credit Agreement" on or about August 23, 2011.

81. Each of the LightSquared Inc. Preferential Transfers constituted a transfer of an interest in LightSquared Inc.'s property.

82. Each of the LightSquared Inc. Preferential Transfers was to or for the benefit of a creditor.

83. Each of the LightSquared Inc. Preferential Transfers was for or on account of an antecedent debt owed by LightSquared Inc. before it was made.

84. Each of the LightSquared Inc. Preferential Transfers was made while LightSquared Inc. was insolvent.

85. Each of the LightSquared Inc. Preferential Transfers was made on or within 90 days before the Petition Date, or was to an insider within the meaning of 11 U.S.C. § 101(31) and was made between ninety days and one year before the Petition Date.

86. Each of the LightSquared Inc. Preferential Transfers enabled such creditor to receive more than the creditor would receive if (A) LightSquared Inc.'s case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

87. Each of the LightSquared Inc. Preferential Transfers constitutes an avoidable preferential transfer, within the meaning of 11 U.S.C. § 547.

88. By virtue of the foregoing, Plaintiff LightSquared Inc. is entitled to avoid and recover each of the LightSquared Inc. Preferential Transfers under 11 U.S.C. §§ 547(b) and 550.

89. Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

90. Each Defendant to this claim is the initial transferee of one or more of the LightSquared Inc. Preferential Transfers, the entity for whose benefit one or more of the

LightSquared Inc. Preferential Transfers was made, or an immediate or mediate transferee of the initial transferee.

91. To the extent that one or more of the LightSquared Inc. Preferential Transfers is avoided, Plaintiff LightSquared Inc. may recover the property transferred, or the value of the transferred property, from each Defendant to this claim pursuant to 11 U.S.C. § 550(a).

92. Plaintiff LightSquared Inc. seeks to recover damages from each Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the LightSquared Inc. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

SECOND
CLAIM FOR RELIEF
(Equitable Subordination and Subordination – 11 U.S.C. §§ 510 and 105(a))
(By Plaintiff LightSquared Inc. Against All Defendants)

93. Plaintiffs repeat and reallege the facts alleged in each preceding paragraph of the Complaint as though fully set forth herein.

94. The owners of investments through the Prepetition Inc. Credit Agreement assert secured claims against the Debtors in the approximate amount of $322,333,494.

95. The conduct of Defendants, as alleged herein, is inequitable, and has resulted in injury to the Prepetition LP Lenders and/or conferred an unfair advantage on Defendants.

96. Equitable subordination of the Defendants' claims to the claims of the Prepetition LP Lenders is consistent with the provisions of the Bankruptcy Code.

97. Accordingly, under principles of equitable subordination, all claims asserted against the Debtors by, on behalf of, or for the benefit of the Defendants or their affiliated entities should be subordinated to the claims of the Prepetition LP Lenders for purposes of distribution, pursuant to 11 U.S.C. §§ 510(c)(1) and 105(a).

THIRD
CLAIM FOR RELIEF
(Recharacterization of Debt to Equity – 11 U.S.C. § 105 and applicable case law)
(By Plaintiff LightSquared Inc. Against all Defendants)

98. Plaintiffs repeat and reallege the facts alleged in each preceding paragraph of the Complaint as though fully set forth herein.

99. Considering the totality of the circumstances, justice and equity require that all of the claims of Defendants against the Debtors should be recharacterized as equity interests. In determining this, courts do not accept the label of debt or equity placed on a transaction but must inquire into the actual nature of a transaction to determine how best to characterize it. Here, Defendants' claims should be characterized as equity based upon at least the following factors (as more particularly alleged throughout this Complaint):

- The transaction initiated by the Prepetition Inc. Credit Agreement does not bear the earmarks of an arm's length transaction. Indeed, the very purpose of the "loan" was to benefit Harbinger to the detriment of the Company's creditors. And the only way the investment was able to be carried out was because Harbinger controlled LightSquared Inc.; Harbinger controlled the Prepetition Inc. Guarantors; Harbinger controlled the "lending" group; and Harbinger promised an equity return. The Company had no ability to obtain true, simple loans from outside lending institutions.

- At the time of the investment, and thereafter, LightSquared Inc. was undercapitalized.

- The claims are largely those of insiders and/or at a minimum derive from investments initially made by insiders. The vast majority of funds provided under the Prepetition Inc. Credit Agreement came from insiders. The initial investors were Harbinger SP, an insider, Blue Line, an insider, and UBS AG, Stamford Branch. Harbinger SP and Blue Line collectively provided approximately 70% of the initial commitments under the Prepetition Inc. Credit Agreement.

- In effect, Harbinger, who dominated and controlled each of the Debtors (including LightSquared Inc., One Dot Four, One Dot Six and One Dot Six TVCC) and dominated and controlled the "lending" group, negotiated both sides of the deal. It negotiated for the "borrower," the "guarantors," and the "lenders."

- At the time of the Prepetition Inc. Credit Agreement, the obligations thereunder were unsecured. It was not until almost two months later, on August 23, 2011, through the "First Amendment to Credit Agreement" that the obligations were secured.

- On information and belief, the intent of the Debtors and Defendants was to participate in an investment driven by the possibility of equity returns, and they did not intend nor believe that they were entering into a true debtor-creditor relationship.

- While facially, the Prepetition Inc. Credit Agreement purports to evidence debt, even the Prepetition Inc. Credit Agreement itself reveals the true nature of the transaction as an equity play, based on the warrants referenced in the Prepetition Inc. Credit Agreement and issued in connection therewith.

- Although the Prepetition Inc. Credit Agreement purports to evidence debt, the economic reality confronting LightSquared Inc. and the Defendants at the inception of the Prepetition Inc. Credit Agreement and thereafter evidences the intent to provide the Defendants with an equity return through the transaction.

- While facially, the Prepetition Inc. Credit Agreement stated a maturity date of July 1, 2012, which, on March 15, 2012, was later extended to December 31, 2012, such dates were meaningless. At the time each Defendant signed on as a "lender" in connection with the Prepetition Inc. Credit Agreement, no expectation existed that the funds provided to LightSquared Inc. in connection with the Prepetition Inc. Credit Agreement would be repaid upon maturity; LightSquared Inc. itself had no expectation that it would have funds to repay the amounts received under the Prepetition Inc. Credit Agreement.

- While facially, the Prepetition Inc. Credit Agreement did have a stated interest rate of 15%, such interest rate also was meaningless. The language of the Prepetition Inc. Credit Agreement was very loose, such that interest did not need to be paid until maturity (and of course, it was not), when it would be added to the principal amount. Further, no expectation existed that LightSquared Inc. would be able to pay such interest at "maturity." Moreover, the 15% interest rate did not drive the expected rate of return on the investment. The motivating factor for the "lenders" to participate was not the 15% interest rate stated on the face of the Prepetition Inc. Credit Agreement, because the lenders knew it was highly unlikely the payment of such interest would occur upon maturity.

- No sinking fund or reserve fund was ever established to ensure that LightSquared Inc. would be in a position to meet its obligations under the Prepetition Inc. Credit Agreement at its maturity date.

- Rather, the warrants – an equity investment – given to the Defendants to incentivize them to enter into the transactions in which Defendants signed on as "lenders," overwhelmingly drove the Defendants' expected rate of return.

- The Defendants expected to receive an equity-like return from their investment. Such returns were contingent on the success of LightSquared Inc. and in particular on the reversal of the FCC position regarding certain spectrum licenses.

100. For the reasons set forth above, the Plaintiff LightSquared Inc. seeks entry of an order declaring the Defendants' claims recharacterized as equity.

FOURTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Fraudulent Transfers – 11 U.S.C. § 548(a)(1)(B) and 550)
(By Plaintiff One Dot Six Corp. Against All Defendants)

101. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

102. On or about July 1, 2011, within two years of the Petition Date (in fact, within one year), One Dot Six transferred an interest and/or incurred an obligation, in the form of the issuance of a guarantee in connection with the Prepetition Inc. Credit Agreement, to or for the benefit of the Defendants to this claim ("One Dot Six Corp. Guarantee").

103. The issuance of the One Dot Six Corp. Guarantee constituted a transfer of an interest in the property of One Dot Six, and/or the incurrence of an obligation by One Dot Six.

104. The One Dot Six Corp. Guarantee was made for less than fair consideration and less than a reasonably equivalent value. The One Dot Six Corp. Guarantee was made for no consideration.

105. At the times of, and subsequent to, issuance of the One Dot Six Corp. Guarantee, One Dot Six had at least one creditor with an allowable unsecured claim for liabilities, which remained unsatisfied as of the Petition Date.

106. The One Dot Six Corp. Guarantee (a) was made when One Dot Six was insolvent; (b) rendered One Dot Six insolvent; (c) left One Dot Six with unreasonably small capital in relation to its business at the time; or (d) was made to or for the benefit of an insider or was an obligation to or incurred for the benefit of an insider under an employment contract and not in the ordinary course of business.

107. At the time of each of the One Dot Six Corp. Guarantee, One Dot Six incurred and intended, or believed that it would incur, debts that would be beyond its ability to pay as such debts matured.

108. By virtue of the foregoing, the One Dot Six Corp. Guarantee was a fraudulent transfer avoidable under 11 U.S.C. § 548(a)(1)(B), and Plaintiff One Dot Six is entitled to recover it under 11 U.S.C. § 550.

109. Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

110. Each Defendant to this claim is the initial transferee of the One Dot Six Corp. Guarantee, the entity for whose benefit it was made, or an immediate or mediate transferee of the initial transferee.

111. To the extent that the One Dot Six Corp. Guarantee is avoided, Plaintiff One Dot Six may recover the property transferred, or the value of the transferred property, from each Defendant to this claim pursuant to 11 U.S.C. § 550.

112. Plaintiff One Dot Six seeks to recover damages from each Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to the One Dot Six Corp. Guarantee as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

FIFTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Preferential Transfer – 11 U.S.C. §§ 547 and 550)
(By Plaintiff One Dot Six Corp. Against all Defendants)

113. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

114. Under 11 U.S.C. § 547, any debtor may avoid any transfer of an interest of the debtor in property, (1) to or for the benefit of a creditor, (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made, (3) made while the Debtor was insolvent, (4) made (A) on or within 90 days before the date of the filing of the petition, or (B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider, and (5) that enables such creditor to receive more than such creditor would receive if (A) the Debtor's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

115. Within one year of the Petition Date, One Dot Six made transfers ("One Dot Six Corp. Preferential Transfers") of interest to the Defendants to this claim, in the form of One Dot Six's pledges of its equity interests in One Dot Six TVCC, and provision of liens and

security interests in the One Dot Six Lease and associated assets and the proceeds of each of the foregoing, to the Prepetition Inc. Purported Lenders under the Prepetition Inc. Credit Agreement, on or about August 23, 2011.

116. Each of the One Dot Six Corp. Preferential Transfers constituted a transfer of an interest in One Dot Six's property.

117. Each of the One Dot Six Corp. Preferential Transfers was to or for the benefit of a creditor.

118. Each of the One Dot Six Corp. Preferential Transfers was for or on account of an antecedent debt owed by One Dot Six before it was made.

119. Each of the One Dot Six Corp. Preferential Transfers was made while One Dot Six was insolvent.

120. Each of the One Dot Six Corp. Preferential Transfers was made on or within 90 days before the Petition Date, or was to an insider within the meaning of 11 U.S.C. §101(31) and was made between ninety days and one year before the Petition Date.

121. Each of the One Dot Six Corp. Preferential Transfers enabled such creditor to receive more than the creditor would receive if (A) One Dot Six's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

122. Each of the One Dot Six Corp. Preferential Transfers constitutes an avoidable preferential transfer, within the meaning of 11 U.S.C. § 547.

123. By virtue of the foregoing, Plaintiff One Dot Six is entitled to avoid and recover each of the One Dot Six Corp. Preferential Transfers under 11 U.S.C. §§ 547(b) and 550.

124. Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

125. Each Defendant to this claim is the initial transferee of one or more of the One Dot Six Corp. Preferential Transfers, the entity for whose benefit one or more of the One Dot Six Corp. Preferential Transfers was made, or an immediate or mediate transferee of the initial transferee.

126. To the extent that one or more of the One Dot Six Corp. Preferential Transfers is avoided, Plaintiff One Dot Six may recover the property transferred, or the value of the transferred property, from each Defendant to this claim pursuant to 11 U.S.C. § 550(a).

127. Plaintiff One Dot Six seeks to recover damages from each Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the One Dot Six Corp. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

SIXTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Fraudulent Transfers – 11 U.S.C. §§ 548(a)(1)(B) and 550)
(By Plaintiff One Dot Four Corp. Against All Defendants)

128. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

129. On or about July 1, 2011, within two years of the Petition Date (in fact, within one year), One Dot Four transferred an interest and/or incurred an obligation, in the form of the issuance of a guarantee in connection with the Prepetition Inc. Credit Agreement, to or for the benefit of the Defendants to this claim ("One Dot Four Corp. Guarantee").

130. The issuance of the One Dot Four Corp. Guarantee constituted a transfer of an interest in the property of One Dot Four, and/or the incurrence of an obligation by One Dot Four.

131. The One Dot Four Corp. Guarantee was made for less than fair consideration and less than a reasonably equivalent value. The One Dot Four Corp. Guarantee was made for no consideration.

132. At the times of, and subsequent to, issuance of the One Dot Four Corp. Guarantee, One Dot Four had at least one creditor with an allowable unsecured claim for liabilities, which remained unsatisfied as of the Petition Date.

133. The One Dot Four Corp. Guarantee (a) was made when One Dot Four was insolvent; (b) rendered One Dot Four insolvent; (c) left One Dot Four with unreasonably small capital in relation to its business at the time; or (d) was made to or for the benefit of an insider or was an obligation to or incurred for the benefit of an insider under an employment contract and not in the ordinary course of business.

134. At the time of each of the One Dot Four Corp. Guarantee, One Dot Four incurred and intended, or believed that it would incur, debts that would be beyond its ability to pay as such debts matured.

135. By virtue of the foregoing, the One Dot Four Corp. Guarantee was a fraudulent transfer avoidable under 11 U.S.C. § 548(a)(1)(B), and Plaintiff One Dot Four is entitled to recover it under 11 U.S.C. § 550.

136. Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from — (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

137. Each Defendant to this claim is the initial transferee of the One Dot Four Corp. Guarantee, the entity for whose benefit it was made, or an immediate or mediate transferee of the initial transferee.

138. To the extent that the One Dot Four Corp. Guarantee is avoided, Plaintiff One Dot Four may recover the property transferred, or the value of the transferred property, from each Defendant to this claim pursuant to 11 U.S.C. § 550(a).

139. Plaintiff One Dot Four seeks to recover damages from each Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to the One Dot Four Corp. Guarantee as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

SEVENTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Preferential Transfer – 11 U.S.C. §§ 547 and 550)
(By Plaintiff One Dot Four Corp. Against all Defendants)

140. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

141. Under 11 U.S.C. § 547, any debtor may avoid any transfer of an interest of the debtor in property, (1) to or for the benefit of a creditor, (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made, (3) made while the Debtor was insolvent, (4) made (A) on or within 90 days before the date of the filing of the petition, or (B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider, and (5) that enables such creditor to receive more than such creditor would receive if (A) the Debtor's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

142. Within one year of the Petition Date, One Dot Four made transfers ("One Dot Four Corp. Preferential Transfers") of interest to the Defendants to this claim, in the form of One Dot Four's pledges of and provision of liens and security interests in the One Dot Four Lease and associated assets and the proceeds of each of the foregoing, to the Prepetition Inc. Purported Lenders under the Prepetition Inc. Credit Agreement, on or about August 23, 2011.

143. Each of the One Dot Four Corp. Preferential Transfers constituted a transfer of an interest in One Dot Four's property.

144. Each of the One Dot Four Corp. Preferential Transfers was to or for the benefit of a creditor.

145. Each of the One Dot Four Corp. Preferential Transfers was for or on account of an antecedent debt owed by One Dot Four before it was made.

146. Each of the One Dot Four Corp. Preferential Transfers was made while One Dot Four was insolvent.

147. Each of the One Dot Four Corp. Preferential Transfers was made on or within 90 days before the Petition Date, or was to an insider within the meaning of 11 U.S.C. § 101(31) and was made between ninety days and one year before the Petition Date.

148. Each of the One Dot Four Corp. Preferential Transfers enabled such creditor to receive more than the creditor would receive if (A) One Dot Four's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

149. Each of the One Dot Four Corp. Preferential Transfers constitutes an avoidable preferential transfer, within the meaning of section 547 of the Bankruptcy Code.

150. By virtue of the foregoing, Plaintiff One Dot Four is entitled to avoid and recover each of the One Dot Four Corp. Preferential Transfers under 11 U.S.C. §§ 547(b) and 550.

151. Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

152. Each Defendant to this claim is the initial transferee of one or more of the One Dot Four Corp. Preferential Transfers, the entity for whose benefit one or more of the One Dot Four Corp. Preferential Transfers was made, or an immediate or mediate transferee of the initial transferee.

153. To the extent that one or more of the One Dot Four Corp. Preferential Transfers is avoided, Plaintiff One Dot Four may recover the property transferred, or the value of the transferred property, from each Defendant to this claim pursuant to 11 U.S.C. § 550(a) of the Bankruptcy Code.

154. Plaintiff One Dot Four seeks to recover damages from each Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the One Dot Four Corp. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

EIGHTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Fraudulent Transfers – 11 U.S.C. §§ 548(a)(1)(B) and 550)
(By Plaintiff One Dot Six TVCC Corp. Against All Defendants)

155. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

156. On or about July 1, 2011, within two years of the Petition Date (in fact, within one year), One Dot Six TVCC transferred an interest and/or incurred an obligation, in the form of the issuance of a guarantee in connection with the Prepetition Inc. Credit Agreement, to or for the benefit of the Defendants to this claim ("One Dot Six TVCC Corp. Guarantee").

157. The issuance of the One Dot Six TVCC Corp. Guarantee constituted a transfer of an interest in the property of One Dot Six TVCC, and/or the incurrence of an obligation by One Dot Six TVCC.

158. The One Dot Six TVCC Corp. Guarantee was made for less than fair consideration and less than a reasonably equivalent value. The One Dot Six TVCC Corp. Guarantee was made for no consideration.

159. At the times of, and subsequent to, issuance of the One Dot Six TVCC Corp. Guarantee, One Dot Six TVCC had at least one creditor with an allowable unsecured claim for liabilities, which remained unsatisfied as of the Petition Date.

160. The One Dot Six TVCC Corp. Guarantee (a) was made when One Dot Six TVCC was insolvent; (b) rendered One Dot Six TVCC insolvent; (c) left One Dot Six TVCC with unreasonably small capital in relation to its business at the time; or (d) was made to or for the benefit of an insider or was an obligation to or incurred for the benefit of an insider under an employment contract and not in the ordinary course of business.

161. At the time of each of the One Dot Six TVCC Corp. Guarantee, One Dot Six TVCC incurred and intended, or believed that it would incur, debts that would be beyond its ability to pay as such debts matured.

162. By virtue of the foregoing, the One Dot Six TVCC Corp. Guarantee was a fraudulent transfer avoidable under 11 U.S.C. § 548(a)(1)(B), and Plaintiff One Dot Six TVCC is entitled to recover it under 11 U.S.C. § 550.

163. Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from — (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

164. Each Defendant to this claim is the initial transferee of the One Dot Six TVCC Corp. Guarantee, the entity for whose benefit it was made, or an immediate or mediate transferee of the initial transferee.

165. To the extent that the One Dot Six TVCC Corp. Guarantee is avoided, Plaintiff One Dot Six TVCC may recover the property transferred, or the value of the transferred property, from each Defendant to this claim pursuant to 11 U.S.C. § 550(a).

166. Plaintiff One Dot Six TVCC seeks to recover damages from each Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to the One Dot Six TVCC Corp. Guarantee as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

NINTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff LightSquared Inc. Against All Defendants)

167. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

168. As the controlling shareholder of LightSquared Inc. and by virtue of Harbinger's domination and control over LightSquared Inc. and its board of directors, Harbinger owed LightSquared Inc. fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward LightSquared Inc., and in furtherance of the best interests of LightSquared Inc. The directors and officers of LightSquared Inc. owed these same fiduciary duties. By July 2011, these fiduciary duties were enforceable by LightSquared Inc.'s creditors by virtue of the fact that LightSquared Inc. was insolvent at that time.

169. Harbinger and the directors and officers of LightSquared Inc. breached their fiduciary duties by causing LightSquared Inc. to enter into the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment. The fiduciaries knew that the essence of the transactions effected by the Prepetition Inc. Credit Agreement and Prepetition Inc. Security

Amendment was to make an equity investment in the Company. Yet, they documented the transaction as a purported credit transaction, the effect of which was to use estate assets to circumvent creditor priority and the absolute priority rule for the benefit of Harbinger and the other Prepetition Inc. Purported Lenders.

170. In particular, Harbinger had a duty of loyalty to act in the best interest of LightSquared Inc. and to abstain from self-dealing and pursuing personal interests not shared by LightSquared Inc. and its creditors. Harbinger breached this fiduciary duty by engaging in acts of self-dealing in the form of the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment, a transaction that would harm, not benefit, LightSquared Inc. and its creditors, in order to enrich Harbinger itself and those Harbinger controlled (such as LightSquared Inc.'s directors and officers). Harbinger was interested in the transactions and lacked the independence to determine objectively whether the transactions were in the best interest of LightSquared and its creditors – indeed, Harbinger was on both sides of these transactions as Harbinger was both a lender and also controlled LightSquared Inc. itself.

171. Through the transactions, Harbinger received material benefits, such as the Warrants and exorbitant interest rates, not equally shared by all of LightSquared Inc.'s shareholders, let alone LightSquared Inc.'s other creditors. The directors and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

172. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in, and substantially assisted, the breaches of those duties as further alleged herein. Each of the Defendants knew that the essence of the transactions effected by the Prepetition Inc.

Credit Agreement and Prepetition Inc. Security Amendment was to make an equity investment in the Company. Yet, they documented the transaction as a purported credit transaction, to circumvent creditor priority and the absolute priority rule for their own benefit.

173. LightSquared Inc. and its creditors were damaged by Harbinger's breaches of fiduciary duty because such breaches resulted in the re-ordering of creditor priority and the circumvention of the absolute priority rule, in that Harbinger and the other Prepetition Inc. Purported Lenders granted themselves status as secured lenders even though they were really equity investors in LightSquared Inc. Therefore, the Defendants granted themselves value at the expense of LightSquared Inc. and to the detriment of its creditors.

TENTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff One Dot Four Corp. Against All Defendants)

174. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

175. As the controlling shareholder of LightSquared Inc., and by virtue of Harbinger's domination and control over the entire Company, including LightSquared Inc. and its board of directors, and over One Dot Four and its board of directors, Harbinger owed One Dot Four Corp. fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward One Dot Four, and in furtherance of the best interests of One Dot Four. The directors and officers of One Dot Four owed these same fiduciary duties. By July of 2011, these fiduciary duties were enforceable by One Dot Four's creditors by virtue of the fact that One Dot Four was insolvent at that time.

176. Harbinger and One Dot Four's directors and officers breached their fiduciary duties by causing One Dot Four to provide a guarantee in connection with the

Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment.

177. In particular, Harbinger and the directors and officers of One Dot Four Corp had a duty to act in the best interest of One Dot Four. The fiduciaries breached this fiduciary duty by engaging in acts of self-dealing in the form of causing One Dot Four to provide a guarantee in connection with the Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment. They caused One Dot Four to guarantee an obligation that they knew LightSquared Inc. had no ability to pay. They did this even though such transactions provided no value to One Dot Four. Indeed, such transactions constitute improper fraudulent transfers. They caused One Dot Four to provide the guarantee and pledge of security not to benefit One Dot Four but rather to benefit Harbinger itself and the other Prepetition Inc. Purported Lenders. Harbinger was interested in the transactions and lacked the independence to determine objectively whether the transactions were in the best interest of One Dot Four – indeed, Harbinger was on both sides of these transactions as Harbinger was both a lender and also controlled LightSquared Inc. (and One Dot Four) itself.

178. Through the transactions, Harbinger received material benefits, such as in the form of the Warrants and exorbitant interest rates, not equally shared by Lightsquared Inc. and all of LightSquared Inc.'s shareholders, let alone One Dot Four's other creditors. The directors and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

179. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in and substantially assisted the breaches of those duties as further alleged herein.

Each of the Defendants knew that LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due. Each of the Defendants knew that One Dot Four's guarantee and pledge of assets was in exchange for no value. Each of the Defendants knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit.

180. One Dot Four was damaged by the above-alleged breaches of fiduciary duty because it obligated itself in connection with the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment but received no value in exchange therefor, and LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement.

ELEVENTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff One Dot Six Corp. Against All Defendants)

181. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

182. As the controlling shareholder of LightSquared Inc., and by virtue of Harbinger's domination and control over the entire Company, including LightSquared Inc. and its board of directors, and over One Dot Six and its board of directors, Harbinger owed One Dot Six fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward One Dot Six, and in furtherance of the best interests of One Dot Six. The directors and officers of One Dot Six owed these same fiduciary duties. By July of 2011, these fiduciary duties were enforceable by One Dot Six's creditors by virtue of the fact that One Dot Six was insolvent at that time.

183. Harbinger and One Dot Six's directors and officers breached their fiduciary duties by causing One Dot Six to provide a guarantee in connection with the Prepetition Inc.

Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment.

184. In particular, Harbinger and the directors and officers of One Dot Six had a duty to act in the best interest of One Dot Six. The fiduciaries breached this fiduciary duty by engaging in acts of self-dealing in the form of causing One Dot Six to provide a guarantee in connection with the Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment. They caused One Dot Six to guarantee an obligation that they knew LightSquared Inc. had no ability to pay. They did this even though such transactions provided no value to One Dot Six. Indeed, such transactions constitute improper fraudulent transfers. They caused One Dot Six to provide the guarantee and pledge of security not to benefit One Dot Six but rather to benefit Harbinger itself and the other Prepetition Inc. Purported Lenders. Harbinger was interested in the transactions and lacked the independence to determine objectively whether the transactions were in the best interest of One Dot Six – indeed, Harbinger was on both sides of these transactions as Harbinger was both a lender and also controlled LightSquared Inc. (and One Dot Six) itself.

185. Through the transactions, Harbinger received material benefits, such as the Warrants and exorbitant interest rates, not equally shared by Lightsquared Inc. and all of LightSquared Inc.'s shareholders, let alone One Dot Six's other creditors. The directors and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

186. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in and substantially assisted the breaches of those duties as further alleged herein.

Each of the Defendants knew that LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due. Each of the Defendants knew that One Dot Six's guarantee and pledge of assets was in exchange for no value. Each of the Defendants knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit.

187. One Dot Six was damaged by the above-alleged breaches of fiduciary duty because it obligated itself in connection with the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment but received no value in exchange therefor, and LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement.

TWELFTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff One Dot Six TVCC Corp. Against All Defendants)

188. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

189. As the controlling shareholder of LightSquared Inc., and by virtue of Harbinger's domination and control over the entire Company, including LightSquared Inc. and its board of directors, and over One Dot Six TVCC and its board of directors, Harbinger owed One Dot Six TVCC fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward One Dot Six TVCC, and in furtherance of the best interests of One Dot Six TVCC. The directors and officers of One Dot Six TVCC owed these same fiduciary duties. By July 2011, these fiduciary duties were enforceable by One Dot Six TVCC's creditors by virtue of the fact that One Dot Six TVCC was insolvent at that time.

190. Harbinger and One Dot Six TVCC's directors and officers breached their fiduciary duties by causing One Dot Six TVCC to provide a guarantee in connection with the Prepetition Inc. Credit Agreement.

191. In particular, Harbinger and the directors and officers of One Dot Six TVCC had a duty to act in the best interest of One Dot Six TVCC. The fiduciaries breached this fiduciary duty by engaging in acts of self-dealing in the form of causing One Dot Six TVCC to provide a guarantee in connection with the Prepetition Inc. Credit Agreement. They caused One Dot Six TVCC to guarantee an obligation that they knew LightSquared Inc. had no ability to pay. They did this even though such transaction provided no value to One Dot Six TVCC. Indeed, such transaction constitutes an improper fraudulent transfer. They caused One Dot Six TVCC to provide the guarantee not to benefit One Dot Six TVCC but rather to benefit Harbinger itself and the other Prepetition Inc. Purported Lenders. Harbinger was interested in the transaction and lacked the independence to determine objectively whether the transaction was in the best interest of One Dot Six TVCC – indeed, Harbinger was on both sides of the transaction as Harbinger was both a lender and also controlled LightSquared Inc. (and One Dot Six TVCC) itself.

192. Through the transaction, Harbinger received material benefits, such as the Warrants and exorbitant interest rates, not equally shared by Lightsquared Inc. and all of LightSquared Inc.'s shareholders, let alone One Dot Six TVCC's other creditors. The directors and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

193. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in and substantially assisted the breaches of those duties as further alleged herein.

Each of the Defendants knew that LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due. Each of the Defendants knew that One Dot Six TVCC's guarantee was in exchange for no value. Each of the Defendants knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit.

194. One Dot Six TVCC was damaged by the above-alleged breaches of fiduciary duty because it obligated itself in connection with the Prepetition Inc. Credit Agreement but received no value in exchange therefor, and LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that this Court enter judgment in its favor, as requested above, and as further set forth below:

A. For an order avoiding and setting aside the transfers identified in Claims 1 and 4-8.

B. For an order directing each respective transferee of the transfers identified in Claims 1 and 4-8 to return to the bankruptcy estates the property transferred or pay the value of such property.

C. For an order disallowing any claim of each respective transferee based on the transfers identified in Claims 1 and 4-8 unless and until such transferee has turned over to the bankruptcy estates the property transferred, or paid the value of such property, for which it is liable under 11 U.S.C. § 550.

D. For subordination beneath the claims of the Prepetition LP Lenders of all claims or proofs of claim which have been filed or brought or which may hereafter be filed or brought by, on behalf of, or for the benefit of any of the Defendants or their affiliated entities against the Debtors in the bankruptcy proceedings.

E. For an order recharacterizing as equity all claims or proofs of claim which have been filed or scheduled or which may hereafter be filed or scheduled by, on behalf of, or for the benefit of any of the Defendants or their affiliated entities against the Debtors in the bankruptcy proceedings.

F. For damages according to proof on Claims 9-12.

G. For such additional and further relief that Plaintiffs may be entitled to under law or equity.

Dated: November [__], 2012
New York, New York

WHITE & CASE LLP

By: */s/*_____

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EXHIBIT B

[Comparison of Revised Complaint to Proposed Complaint]

REDACTED VERSION

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: LIGHTSQUARED INC., *et al.*, Debtors.[1]	Chapter 11 Case No. 12-12080 (SCC) Jointly Administered
THE AD HOC SECURED GROUP OF LIGHTSQUARED LP CREDITORS, by and on behalf of LIGHTSQUARED INC.; ONE DOT FOUR CORP.; ONE DOT SIX CORP.; and ONE DOT SIX TVCC CORP., Plaintiffs, v. HARBINGER CAPITAL PARTNERS SP, INC.; BLUE LINE DZM CORP.; MAST AK FUND LP; MAST CREDIT OPPORTUNITIES I MASTER FUND LIMITED; MAST OC I MASTER FUND; MAST PC FUND LP; MAST SELECT OPPORTUNITIES MASTER FUND; SEAWALL CREDIT VALUE MASTER FUND, LTD; SEAWALL OC FUND, LTD; U.S. BANK NATIONAL ASSOCIATION; and DOES 1-100, Defendants.	Adv. Proc. No. 12-_____ (SCC)

COMPLAINT

[1] The Debtors in these chapter 11 cases, along with the last four digits of each debtor's federal or foreign tax or registration identification number, are: LightSquared Inc. (8845), LightSquared Investors Holdings Inc. (0984), One Dot Four Corp. (8806), One Dot Six Corp. (8763), SkyTerra Rollup LLC (N/A), SkyTerra Rollup Sub LLC (N/A), SkyTerra Investors LLC (N/A), TMI Communications Delaware, Limited Partnership (4456), LightSquared GP Inc (6190), LightSquared LP (3801), ATC Technologies, LLC (3432), LightSquared Corp. (1361), LightSquared Finance Co. (6962), LightSquared Network LLC (1750), LightSquared Inc. of Virginia (9725), LightSquared Subsidiary LLC (9821), LightSquared Bermuda Ltd. (7247), SkyTerra Holdings (Canada) Inc. (0631), SkyTerra (Canada) Inc. (0629), and One Dot Six TVCC Corp. (0040).

The Ad Hoc Secured Group of LightSquared LP Lenders (the "Ad Hoc Secured Group"), which is comprised of secured creditors and parties in interest in the above-captioned chapter 11 cases, by and through its undersigned counsel, on behalf of LightSquared Inc., and One Dot Four Corp., One Dot Six Corp., and One Dot Six TVCC Corp. (collectively, the "One Dot Plaintiffs"), for their Complaint against Harbinger Capital Partners SP, Inc.; Blue Line DZM Corp.; Mast AK Fund LP; Mast Credit Opportunities I Master Fund Limited; Mast OC I Master Fund; Mast PC Fund LP; Mast Select Opportunities Master Fund; Seawall Credit Value Master Fund, LTD; Seawall OC Fund, LTD; U.S. Bank National Association, and DOES 1-100, hereby alleges as follows:

NATURE OF THE ACTION

1. The Defendants assert secured claims collectively amounting to approximately $322 million against the Debtors. Through this Complaint, the Plaintiffs object to such claims, and seek subordination and recharacterization of such claims to reflect their true economic substance – they are equity investments, not debt investments. And equity requires that they be characterized as such and subordinated to the claims of the ~~Ad Hoc Secured Group~~Prepetition LP Lenders. The concept of owning equity in a corporation and the concept of equity in jurisprudence do not allow investors to seek the upside of a business, while at the same time preserving their investment without the attendant risks, by elevating themselves above creditors, in the event of a business failure. Yet, that is exactly what the Defendants seek to do in this matter.

2. This action serves to remedy the attempts by the Debtors' insiders, dominated and controlled by Harbinger Capital Partners LLC and its affiliated funds (collectively, "Harbinger"), to divert value from the ~~Ad Hoc Secured Group~~Debtors' estates and to disguise the economic

substance of their investment by labeling it as "credit" and by purporting to render such investment structurally superior to the existing debt of the ~~Ad Hoc Secured Group. The defendants~~Prepetition LP Lenders and other legitimate creditors. The Defendants initiated this scheme through a July 1, 2011 "Credit Agreement," through which the ~~defendants~~Defendants sought to limit the downside risk of their investment by obscuring its true status as an equity investment. However, regardless of how the agreement was labeled, as a "Credit Agreement" with "interest" and a "maturity date," the investment was equity; and not only that, the very purpose of the investment was to benefit Harbinger to the detriment of creditors. The only ~~way~~reason the investment was implemented was because Harbinger controlled the ~~Debtor~~Debtors, and Harbinger controlled the "lending" group, and therefore, Harbinger was able to construct and document a sham.

3. The investment did not seek a return on investment typical of debt instruments; rather, through warrants issued in connection with the "Credit Agreement," ~~defendants~~Defendants were gambling on an equity return – to the tune of one hundred fifty percent, hardly the kind of return expected on secured debt.

4. Notably, what ~~defendants~~Defendants identify and would have this Court accept as a "loan" was provided within a year of the bankruptcy filing, with no interest to be paid until maturity (a year later, but extended further thereafter), and LightSquared Inc. had no expectation that it would be capable of paying the principal and interest~~,~~ on the maturity date, even by its own projections.

5. Further, through the "Credit Agreement," with the assistance of improper corporate control wielded by Harbinger, the ~~defendants wrongfully controlled and~~Defendants caused the One Dot Plaintiffs to provide upstream guarantees ~~to guarantee the investment –~~

guarantees which are fraudulent transfers because the subsidiaries received no benefit from guaranteeing the obligations of their parent, where the proceeds of the "loan" flowed just to insiders and a sister subsidiary.

6. Moreover, while the obligations under the Credit Agreement were unsecured, a month later, the same insiders purported to secure them, and thereby render the holders of the investment structurally superior to other creditors such as the ~~Ad Hoc Secured Group~~Prepetition LP Lenders. In particular, the insiders caused the One Dot Plaintiffs to pledge all of their outstanding equity interests and pledge and grant liens and security interests in certain of their assets, as security for the investment. The only "lenders" who signed the "First Amendment to Credit Agreement," through which the security was memorialized, were Harbinger Capital Partners, SP and Blue Line DZM Corp., both owned and controlled by insiders of the Debtors. Ironically, the "First Amendment to Credit Agreement" recounts that it was "Borrower" that requested such amendments, as if a borrower would ever independently desire to add security for a loan that was not already required. Of course, the One Dot Plaintiffs received absolutely no benefit for the granting of such security – the security was simply a preference the insiders granted to themselves (and their fellow investors).

7. The insiders further tried to cleanse the true nature of the investments (equity plays) by transferring some of their "loan" commitments to other "lenders" – however, each of such transfers was accompanied by the transfers of large numbers of warrants, providing the acquiring investor the true value in the transaction – namely, the acquisition of stock in LightSquared Inc., with a potential value of several hundred million dollars and a massive return on investment.

8. Bottom line, Harbinger caused LightSquared Inc. to sell stock to Harbinger and others, while labeling the stock sale a "loan" in order to hedge Harbinger's bets and jump in front of other creditors in the event the Company filed for bankruptcy. [redacted]

9. It would be unjust and unfair to allow the ~~defendant~~Defendant insiders to ~~orchestrate and~~ succeed at the above scheme designed to let them and their fellow investors "cut in line" ahead of existing secured debtholders~~, and this~~. This Complaint seeks redress to ~~see-through~~invalidate Harbinger's scheme.

JURISDICTION AND VENUE

10. This is an action:

(1) On behalf of LightSquared Inc. to (a) avoid and recover preferential transfers it made, in the form of its pledges of its equity interests in One Dot Four Corp. and One Dot Six Corp. to the Lenders under the July 1, 2011 Prepetition Inc. Credit Agreement (described below), in accordance with the Prepetition Inc. Security Amendment (described below), on or about August 23, 2011 (pursuant to 11 U.S.C. §§ 547 and 550); (b) equitably subordinate the purported debt described herein (and claims made thereon) to the claims of the ~~Ad Hoc Secured Group~~Prepetition LP Lenders and other creditors (pursuant to 11 U.S.C. §§510

[2] [redacted]

and 105); and (c) recharacterize certain purported debt as equity (pursuant to 11 U.S.C. § 105 and applicable case law);

(2) On behalf of One Dot Six Corp. to (a) avoid and recover the fraudulent transfer it made in the form of its guarantee of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement (pursuant to 11 U.S.C. §§ 548 and 550); and (b) avoid and recover the preferential transfer it made in the form of its pledges of its equity interest in One Dot Six TVCC Corp. and the One Dot Six Lease and associated assets and the proceeds of each of the foregoing to the Lenders under the Prepetition Inc. Credit Agreement, in accordance with the Prepetition Inc. Security Amendment, on or about August 23, 2011 (pursuant to 11 U.S.C. §§ 547 and 550).

(3) On behalf of One Dot Four Corp. to (a) avoid and recover the fraudulent transfer it made in the form of its guarantee of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement (pursuant to 11 U.S.C. §§ 548 and 550); and (b) avoid and recover the preferential transfer it made in the form of its pledge of the One Dot Four Lease and associated assets and the proceeds of each of the foregoing to the Lenders under the Prepetition Inc. Credit Agreement, in accordance with the Prepetition Inc. Security Amendment, on or about August 23, 2011 (pursuant to 11 U.S.C. §§ 547 and 550).

(4) On behalf of One Dot Six TVCC Corp. to avoid and recover the fraudulent transfer it made in the form of its guarantee of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement (pursuant to 11 U.S.C. §§ 548 and 550).

(5) On behalf of all Plaintiffs, against the Defendants for aiding and abetting the breaches of fiduciary duties owed by Harbinger and the officers and directors of the Plaintiffs, by using estate assets to circumvent and upset creditor priority and in directing the fraudulent transfers described herein.

11. This Court has subject matter jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334. Venue of this proceeding is proper under 28 U.S.C. § 1409. This action is a core proceeding within the meaning of 28 U.S.C. § 157(b).

PARTIES

12. The Ad Hoc Secured Group is comprised of ~~prepetition "~~Prepetition LP Lenders~~"~~ (as defined below) representing over $1,080,000,000 of secured debt under the LP Credit Agreement described below. As of May 14, 2012, the total aggregate principal amount of loans outstanding under the LP Credit Agreement was approximately $1.7 billion. Furthermore, as stated in the LP Credit Agreement, and Schedule 1.01(b) thereto, LightSquared Inc. and certain of its subsidiaries are guarantors under the LP Credit Agreement.

13. LightSquared Inc. ~~("LSI")~~ is a Debtor, and the direct and indirect parent company of the corporate enterprise comprised of each of the other Debtors in the above-captioned chapter 11 cases, as well as a number of non-Debtor affiliates identified in the Debtors' first day filings (collectively, the "Company").

14. Plaintiff One Dot Four Corp. ("One Dot Four") is a wholly owned subsidiary of LightSquared Inc. that was party to that certain Long Term De Facto Transfer Lease Agreement (the "One Dot Four Lease"), dated as of July, 2010, by and between One Dot Four ~~Corp.~~, as lessee, TerreStar Corporation, and TerreStar 1.4 Holdings LLC, as lessor, pursuant to which One

Dot Four ~~Corp.~~ was granted the right to use certain spectrum and take advantage of certain Federal Communications Commission ("FCC") licenses. Although the One Dot Four Lease was terminated, U.S. Bank, National Association, as successor administrative agent under the Prepetition Inc. Credit Agreement, retains a first priority security interest in any remaining collateral. ~~Plaintiff One Dot Six Corp. is a wholly owned subsidiary of LightSquared Inc. that is party to that certain Lease Purchase Agreement, dated as of April 13, 2010, between TVCC One Six Holdings LLC (an indirect subsidiary of One Dot Six Corp.), as seller, TVCC Holding Company, LLC (an indirect subsidiary of One Dot Six Corp.), and One Dot Six Corp., as purchaser pursuant to which One Dot Six Corp. obtained rights and obligations under certain lease agreements providing for certain spectrum rights and the use of certain patents. Plaintiff One Dot Six TVCC Corp. is a wholly owned subsidiary of One Dot Six Corp. that owns 100% of the interests in non-Debtor subsidiary, TVCC Holdings Company, LLC.~~

15. Plaintiff One Dot Six Corp. ("One Dot Six") is a wholly owned subsidiary of LightSquared Inc. that is party to that certain Lease Purchase Agreement (the "One Dot Six Lease"), dated as of April 13, 2010, between TVCC One Six Holdings LLC (an indirect subsidiary of One Dot Six), as seller, TVCC Holding Company, LLC (an indirect subsidiary of One Dot Six), and One Dot Six, as purchaser, pursuant to which One Dot Six obtained rights and obligations under certain lease agreements providing for certain spectrum rights and the use of certain patents.

16 Plaintiff One Dot Six TVCC Corp. ("One Dot Six TVCC") is a wholly owned subsidiary of One Dot Six that owns 100% of the interests in non-Debtor subsidiary, TVCC Holdings Company, LLC.

17. ~~15.~~ Harbinger is a private hedge fund controlled by Philip Falcone, which, at all times relevant hereto, indirectly owned approximately 96% of LightSquared Inc.'s outstanding common stock, and ~~dominates~~dominated and ~~controls~~controlled the Company. In the years leading up to the Petition Date, Harbinger invested heavily in the Debtors through substantial equity ~~holdings~~contributions, and ~~who~~ also made investments in the Company incorrectly styled as loans (the subject of this Complaint). Defendant Harbinger Capital Partners SP, Inc. ("Harbinger SP") is a Harbinger affiliate and was a participant in the Prepetition Inc. Credit Agreement described below. Defendant Blue Line DZM Corp. ("Blue Line") is a wholly owned subsidiary of Harbinger and was a participant in the Prepetition Inc. Credit Agreement described below.

18. ~~16.~~ At all relevant times, Harbinger dominated and controlled the Company in its entirety. Notably, Harbinger controls nine of eleven seats on the LightSquared Inc. Board of Directors. Based on its own audited financial statements, the Company, Harbinger, and Blue Line are under a "common control relationship." All of them are dominated and controlled by Harbinger. Indeed, the Company's financial statements themselves repeatedly do not delineate among Harbinger and entities controlled by Harbinger such as Blue Line and Harbinger SP.

19 ~~17.~~ Defendants Mast AK Fund LP, Mast Credit Opportunities I Master Fund Limited, Mast OC I Master Fund, Mast PC Fund LP, and Mast Select Opportunities Master Fund (collectively, "Mast") are participating lenders in the Prepetition Inc. Credit Agreement, though they were not initially lenders. On information and belief, in the course of the transactions alleged herein, Mast ~~was granted the right to appoint~~appointed an agent to observe the board of LightSquared Inc.~~, rendering Mast a statutory insider. In addition, Mast qualifies as a~~

~~non-statutory insider, for the additional reasons set forth herein.~~ and had the option of appointing a board member.[3]

20 ~~18.~~ Defendants Seawall Credit Value Master Fund, LTD, and Seawall OC Fund, LTD (collectively, "Seawall") were participating lenders in the Prepetition Inc. Credit Agreement, although they were not initially lenders. On information and belief, Seawall sold all of its holdings in the Prepetition Inc. Credit Agreement to Mast in or around July 2012.

21 ~~19.~~ Defendant U.S. Bank National Association is the successor administrative agent and successor collateral agent under the Prepetition Inc. Credit Agreement, pursuant to a March 19, 2012 Resignation, Waiver, Consent and Appointment Agreement. As such, U.S. Bank National Association is the legal holder of collateral provided in connection with the Prepetition Inc. Credit Agreement (as amended), which Plaintiffs seek return of in this proceeding.

22 ~~20.~~ At all times relevant to the events alleged herein, the Board of Directors of each of the One Dot Plaintiffs consisted of the same individuals ~~serving as Directors~~. The One Dot Plaintiffs also shared executives during the relevant time period, including Michael Montemarano who was the Chief Financial Officer for each of ~~the~~ those entities (as well as for LightSquared Inc.). Several of the Directors and Officers of the One Dot Plaintiffs also served as Directors and Officers of LightSquared Inc.

23. ~~21.~~ Not only did the Directors and Officers of the One Dot Plaintiffs overlap with those of LightSquared Inc., they also overlapped with the Directors and Officers of Harbinger and Blue Line. At all times relevant to the events alleged herein, Keith Hladek was a Director and a Vice President at Harbinger, a Vice President at Blue Line, and a Director of the One Dot

[3] [redacted]

Plaintiffs and of LightSquared Inc. ~~Mr. Montemarano was also the Chief Financial Officer for both Harbinger and Blue Line.~~

BACKGROUND

A. HARBINGER MERGER

24. ~~22.~~ The Company is a business enterprise that intends to provide wireless communication services in North America. In furtherance of this objective, the Company has assembled spectrum ranges for wireless communication in the contiguous United States and Canada. If successful in securing appropriate governmental authorizations to use this spectrum for its intended purpose, the Company plans on offering an integrated terrestrial and satellite wireless service to provide nationwide fourth generation ("4G") broadband services in the continental United States on a wholesale-only basis. The terrestrial component of the Company's wireless service would use the Long Term Evolution ("LTE") technology platform, and the satellite component of the integrated service would, in addition to providing mobile satellite service throughout the continental United States and Canada, provide nationwide roaming coverage.

25 ~~23.~~ On information and belief, through a merger on March 29, 2010, between a predecessor company and another corporation formed and ~~indirectly~~ wholly owned, indirectly, by funds controlled by Harbinger, Harbinger acquired all of the outstanding common stock of LightSquared Inc. not previously held by Harbinger.

26. ~~24.~~ On information and belief, at the time of the above merger, the Company had significant immediate cash needs with limited time to raise capital, and debt markets were unavailable to provide additional financing based on the Company's leverage and the state of the capital markets. The Company's Board of Directors and a majority of shareholders agreed that

the sale to Harbinger of all equity not already held by Harbinger represented the best alternative for shareholders. Following the merger, LightSquared Inc. continued as the surviving corporation and was wholly owned by Harbinger.

27. ~~25.~~ After the merger in July 2010, the Company continued work on a business plan with a primary goal of designing and implementing the first wholesale-only, nationwide 4G LTE wireless broadband network.

B. LP CREDIT AGREEMENT

28 ~~26.~~ On October 1, 2010, in order to fund the 4G LTE network, LightSquared LP, as borrower, entered into a credit agreement (as amended, modified, and/or supplemented, the "LP Credit Agreement") with certain guarantors including LightSquared Inc. and certain of its subsidiaries (in such capacity, the "Guarantors"), lenders (the "Prepetition LP Lenders") and other parties. At the time the LP Credit Agreement was executed and LightSquared Inc. guaranteed the loans made pursuant thereto, LightSquared Inc. had considerable unencumbered value in its subsidiaries One Dot Four ~~Corp.~~ and One Dot Six ~~Corp.~~, which hold valuable spectrum leases ~~providing them with FCC licenses~~. Under the LP Credit Agreement, LightSquared LP initially borrowed $850 million. Under the same agreement, on November 5, 2010 and February 22, 2011, LightSquared LP borrowed an additional $64 million and $586 million, respectively.

29. ~~27.~~ Between the date of the LP Credit Agreement and July 1, 2011, the Company was unable to overcome significant challenges in the design and implementation of its 4G LTE network, including securing FCC approval for the use of its spectrum. As July 1, 2011 approached, LightSquared Inc. faced the prospect of an event of default under the LightSquared

LP Credit Agreement based on its inability to make an equity contribution to LightSquared LP due on July 1.

C. JULY 1, 2011 INVESTMENT IMPLEMENTED THROUGH "CREDIT AGREEMENT"

30. ~~28.~~ Still facing a severe capital shortage (as described in the Company's audited financial statements) and a restricted credit market, the Company turned to its equity holders to devise a scheme to generate funds in order to permit LightSquared LP to meet its capital requirements under the LP Credit Agreement~~, the Company turned to its equity holders to come up with a scheme to generate funds~~. On information and belief, Harbinger developed a plan to further invest in the Company and reap the potential equity returns available if the Company succeeded, while simultaneously limiting the downside risk such an equity investment typically entails, by outwardly structuring the investment as debt.

31 ~~29. In order to permit LightSquared LP to meet its capital requirements under the LP Credit Agreement, but more broadly,~~ On July 1, 2011, in an attempt by Harbinger to prolong the Company's existence ~~while~~, (and later, tying up the value of licenses and granting itself liens on valuable assets that otherwise would have ~~otherwise~~ been available to the Company's creditors ~~(the One Dot Four and One Dot Six Leases and related assets and proceeds), on July 1, 2011,)~~, Harbinger caused LightSquared Inc. as "Borrower" to enter into the Prepetition Inc. Credit Agreement – a transaction styled as a loan – with UBS AG, Stamford Branch ("UBS") as Administrative Agent. In connection with such transaction, Harbinger also caused Debtors One Dot Four ~~Corp. ("One Dot Four")~~ and One Dot Six ~~Corp. ("One Dot Six")~~, each a wholly owned direct subsidiary of LightSquared Inc., and Debtor One Dot Six TVCC ~~Corp. ("One Dot Six TVCC," and,~~ (together with One Dot Four and One Dot Six, the "Prepetition Inc. Guarantors"), a wholly owned subsidiary of One Dot Six, to ~~guaranty~~guarantee the purported loan (the

"Prepetition Inc. Guarantees"). Michael Montemarano signed on behalf of each of the entities, as Chief Financial Officer. The Prepetition Inc. Credit Agreement provided for what was styled as a term loan of $263,750,000 purporting to mature on July 1, 2012, and the option to request up to $66,250,000 in incremental "term loans" subject to the approval of the ~~requested~~required lenders.

32. ~~30.~~ Through the Prepetition Inc. Credit Agreement, LightSquared Inc. initially received a commitment to receive $263,750,000, and made a borrowing request for the full amount, from Harbinger SP, Blue Line, and UBS collectively. On the date of funding, the purported "lenders" under the Prepetition Inc. Credit Agreement (as from time to time substituted, the "Prepetition Inc. Purported Lenders") were the following entities (the "Original Prepetition Inc. Purported Lenders"): Harbinger SP, in the amount of $150,000,000 (almost 57% of the face amount); Blue Line (a Harbinger affiliate), in the amount of $33,750,000 (almost 13% of the face amount); and UBS, in the amount of $80,000,000 (approximately 30% of the face amount). Mr. Hladek signed the Lender Addendums effectuating the commitments for both Harbinger and ~~for~~ Blue Line.

33. ~~31.~~ On information and belief, Harbinger, who dominated and controlled both Harbinger SP and Blue Line, as well as LightSquared Inc., controlled and directed all terms of the Prepetition Inc. Credit Agreement. Harbinger, in effect, negotiated both sides of the deal, resulting in a transaction with nonmarket terms.

34 ~~32.~~ [redacted]

[redacted]

35 ~~33.~~ The Prepetition Inc. Credit Agreement had a stated ~~maturity date of July 1, 2012 and a stated~~ interest rate of 15% per year, payable quarterly~~.~~ and a stated maturity date of July 1, 2012. However, these terms were both illusory.

36. ~~34.~~ The Prepetition Inc. Credit Agreement included an option to pay interest in kind, by simply adding the interest to the principal amount outstanding ~~option~~ (which, of course, LightSquared Inc. exercised – indeed, the Company's financial statements did not even identify such interest payments as cash commitments for the year ending June 30, 2012 ~~because the Company knew it would not pay them~~).

37. ~~35. Further~~In addition, absent "shooting the moon" with the FCC, the parties did not have a reasonable expectation that LightSquared Inc. could repay the principal amount outstanding at the maturity date, let alone the accrued interest on such amount. The Company, and specifically LightSquared Inc., was grossly undercapitalized at the time. Indeed, in July ~~of~~ 2011, the Company was unsure whether it could even pay its most essential bills absent an immediate infusion of capital. [redacted] As such, the Company was properly concerned about its very survival.[6]

38 ~~36.~~ Further, the funds to be received through the Prepetition Inc. Credit Agreement were earmarked to make an equity contribution to LightSquared LP and to pay off a

~~34~~ [redacted]
~~45~~
~~6~~

$25 million existing loan from Blue Line. [redacted] In the first half of 2011, the Company had a net operating loss of over $300 million. [redacted]

39. ~~37.~~ Moreover, the true motivating incentive for the investment was the potential for equity returns~~, subtly identified in the Prepetition Inc. Credit Agreement itself~~. [redacted]

~~57~~ [redacted]

~~6~~ [redacted]

[redacted]

[redacted] Based on contemporaneous valuation estimates by the Company in proceedings before the FCC, the potential value of the Warrants was approximately $350 million.[79] The "purchase" price in the warrant agreements – a penny per share – rendered the shares identified in the agreements essentially gifts. [redacted]

[redacted] On information and belief, these Warrants and the potential return therefrom (which could be in the hundreds of percent), and not the 15% interest rate, (which everyone knew would likely not be paid upon maturity), drove the Defendants' expected rate of return. The parties did not expect a 15% return from the "loan." ~~The Warrants, and their potential for outsize returns in the upside case, were necessary as an inducement to the Prepetition Inc. Purported Lenders because they knew of the significant possibility that they would not be repaid in the downside case.~~

40 The Warrants, and their potential for outsize returns in the upside case, were necessary as an inducement to the Prepetition Inc. Purported Lenders because they knew of the

[79] Per a report commissioned by LightSquared Inc. dated June 22, 2011 (nine days before the Prepetition Inc. Credit Agreement ~~Closed~~closed), the Company's enterprise value would, reduced by $2 billion in debt, be approximately $10 billion after FCC approval of LightSquared Inc.'s commercial exploitation of the 4G LTE network, which could have come within the initial one year term of the Prepetition Inc. Credit Agreement. The penny Warrants issued in connection with the Prepetition Inc. Credit Agreement represented 3.5% of outstanding interests in the Company. Thus, the value of those Warrants would have been approximately $350 million, which, when combined with the 15% PIK interest (based on a one-year maturity, $39,562,500), would yield a total return of $389,562,500. See C. Bazelon, *GPS Interference: Implicit Subsidy to the GPS Industry and Cost to LightSquared of Accommodation* (June 22, 2011) available at http://www.brattle.com/_documents/UploadLibrary/Upload957.pdf (sponsored by LightSquared Inc.).

significant possibility that they would not be repaid in the downside case. Indeed, the Warrants were a critical component of the transaction to potential and actual investors.[10]

41 ~~38.~~ The Prepetition Inc. Purported Lenders only expected their loan to be repaid in accordance with its terms if the Company was successful – LightSquared Inc.'s ability to repay its obligations was completely dependent upon the Company's performance, which was largely in question at the time. And, if the Company had been successful, their overall returns for entering into the Prepetition Inc. Credit Agreement would have been many times the value of the "loan." On information and belief, the Prepetition Inc. Purported Lenders expected that the return on their "loan," based on the Warrants they received for funding it, would be approximately 150% (and possibly much more) if the FCC approved LightSquared Inc.'s commercial implementation of its 4G LTE network. Absent FCC approval, there was no real possibility of LightSquared Inc.'s obligations under the Prepetition Inc. Credit Agreement being repaid in accordance with its terms. [redacted]

[10] See, e.g., [redacted]

811 [redacted]

42. ~~39.~~ Given the circumstances facing the Company at the time, the Prepetition Inc. Purported Lenders could only reasonably expect one of two outcomes: The FCC would approve commercial use of the 4G LTE network in the near term, making the Warrants incredibly valuable and permitting the "loan" to be paid off (and making the warrant holders very rich), or the FCC would rule against the Company and the Prepetition Inc. Purported Lenders end up in bankruptcy demanding payment on a purported secured claim. Under no realistic scenario would the "loan" be repaid in the ordinary course. These all-or-nothing alternatives are the expectations of equity investors, not bona fide lenders.

43. ~~40.~~ In sum, the only real prospect LightSquared Inc. had of repaying its obligations under the Prepetition Inc. Credit Agreement was to be successful before the FCC, creating massive equity value and unlocking new borrowing capacity. This is illustrated by the fact that insiders Harbinger and Blue Line had to fund approximately 70% of the Prepetition Inc. Credit Agreement, and only the Administrative Agent, entitled to additional fees and possible indemnification from Harbinger, was willing to make up the balance (which it promptly dumped).[12] LightSquared Inc. had no real borrowing capacity at the time it entered into the Prepetition Inc. Credit Agreement and its ability to refinance the Prepetition Inc. Credit Agreement therefore depended entirely upon its future success. While the Prepetition Inc. Guarantors facially provided an alternative source of repayment, they held no significant liquid assets and the value of their illiquid assets—access to spectrum capacity for the 4G LTE Network—rose and fell at all times with LightSquared Inc.'s ~~and its~~ success or failure before the FCC. Accordingly, repayment of the purported obligations under the Prepetition Inc. Credit Agreement was dependent entirely upon the success of LightSquared Inc.'s business.

12 [redacted]

44. ~~41.~~ [redacted]

45. ~~42.~~ Importantly, the Prepetition Inc. Guarantors received no value from granting guarantees to the Prepetition Inc. Purported Lenders. The proceeds of the Prepetition Inc. Credit Agreement were used to (a) make a $250 million cash common equity contribution to LightSquared LP—a subsidiary of LightSquared Inc. but not the Prepetition Inc. Guarantors; and (b) refinance an existing $13.75 million obligation of LightSquared Inc. to an insider. The proceeds were not used to meet the daily operating needs of LightSquared Inc. or the Prepetition Inc. Guarantors.

46 ~~43.~~ In addition, on information and belief, the Prepetition Inc. Guarantors were insolvent when they made the guarantees, were rendered insolvent thereby, and/or would otherwise be unable to pay their guarantees as they came due. Under the terms of the Prepetition Inc. Credit Agreement, each Prepetition Inc. Guarantor is jointly and severally liable for the entire outstanding amount of the Prepetition Inc. Credit Agreement, which began at $263.75 million and swelled to over $320 million less than a year later. Given the financial condition of LightSquared Inc. as of the date of the Prepetition Inc. Credit Agreement, there was at all times a substantial likelihood that the guarantees would be called. That LightSquared Inc. Guarantor One Dot Six TVCC would be unable to fulfill its ~~guaranty~~guarantee obligations in respect of the Prepetition Inc. Credit Agreement when it matured, and that it was also rendered insolvent by granting the ~~guaranty~~guarantee, is apparent from the face of the Prepetition Inc. Credit

~~9~~13 [redacted]

Agreement, which states: "One Dot Six TVCC Corp. has no material assets and conducts no material operations." Likewise, on information and belief, the other Prepetition Inc. Guarantors had no reasonable prospects of meeting their ~~guaranty~~guarantee obligations under the Prepetition Inc. Credit Agreement in the likely event that they matured,[10] and the incurrence of such obligations rendered these Prepetition Inc. Guarantors insolvent.[14]

D. IN CONTROL OF BOTH BORROWER AND "~~LENDER~~LENDERS," HARBINGER DIRECTS PREFERENTIAL TRANSFERS BY GRANTING ITSELF SECURITY

47 ~~44.~~ No grant of security was included in the July 1, 2011 Prepetition Inc. Credit Agreement. Thus, as of July 1, 2011, when they were incurred, any obligations of LightSquared Inc., as borrower, and the Prepetition Inc. Guarantors (the "Prepetition Inc. Obligations") were unsecured, as recognized in the Company's financial statements.

48. ~~45.~~ However, on August 23, 2011, fifty-three days after execution of the Prepetition Inc. Credit Agreement, ~~and at a time when the Prepetition Inc. Purported Lenders were comprised primarily of Harbinger affiliates,~~ the obligations were ~~first~~ purportedly secured.

49. ~~46.~~ On August 23, 2011, that certain First Amendment to Credit Agreement (the "Prepetition Inc. Security Amendment") was executed by (a) LightSquared Inc.; (b) the Prepetition Inc. Guarantors; (c) UBS, in its capacity as Administrative Agent under the Prepetition Inc. Credit Agreement and as Collateral Agent pursuant to the Prepetition Inc. Security Amendment; and (d) Harbinger and Blue Line, as Prepetition Inc. Purported Lenders. Importantly, no purportedly non-insider Prepetition Inc. Purported Lender executed the Prepetition Inc. Security Amendment; only insider lenders did. The only lenders signing were Harbinger controlled – Harbinger SP and Blue Line, both by Ian Estus as Vice President.

~~[10] Neither One Dot Four nor One Dot Six had meaningful operations or maintained liquid assets sufficient to meet any probable liability under the Prepetition Inc. Credit Agreement.~~

[14] Neither One Dot Four nor One Dot Six had meaningful operations or maintained liquid assets sufficient to meet any probable liability under the Prepetition Inc. Credit Agreement.

Notably, the Prepetition Inc. Security Amendment was executed by Kurt Hanfler as Vice President and Treasurer for all of LightSquared Inc. and each of the Prepetition Inc. Guarantors.

50. ~~47.~~ Importantly, at such time, on information and belief, the Company's financial condition had not improved, and LightSquared Inc. and the Prepetition Inc. Guarantors were insolvent. Regardless of how the values were booked, the value of Debtors' assets depended on the FCC's approval of the Company's spectrum use. In other words, the value of the assets assumed the future contingency of FCC approval for spectrum use. Actual value must be calculated based on present circumstances, not based on mere assumption that approval might (or might not) be granted in the future. Upon information and belief, LightSquared Inc. did not discount its book values based on the possibility of FCC approval, but merely assumed it, even though LightSquared Inc. was well aware of the challenges it faced in obtaining ~~FCC approval of Spectrum use that was necessary to its business~~such approvals. LightSquared Inc. was aware that it faced significant challenges in obtaining FCC approval of spectrum use that was necessary to its business. Even at the time that it was granted a conditional waiver to operate and test its 4G LTE network, the Company knew that the FCC would not permit commercial spectrum use that would interfere with the GPS spectrum,~~11~~[15] and the Company would be forced into full-blown litigation before the FCC with GPS interests that were presenting credible evidence of interference.

51. ~~48.~~ Yet, through the Prepetition Inc. Security Amendment, the Prepetition Inc. Credit Agreement was amended to grant to the Prepetition Inc. Purported Lenders (and to the

~~11 As set forth in an FCC letter dated February 15, 2012:~~[15] See "Statement From FCC Spokesperson Tammy Sun on Letter From NTIA Addressing Harmful Interference Testing Conclusions Pertaining to LightSquared and Global Positioning System," dated February 14, 2012 ("The [FCC] clearly stated from the outset that harmful interference to GPS would not be permitted. This is why the Conditional Waiver Order issued by the [FCC]'s International Bureau prohibited [LightSquared Inc.] from beginning commercial operations unless harmful interference issues were resolved. ") (Available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-312479A1.~~pdf~~txt).

Administrative Agent and Collateral Agent —(UBS at the time, and ~~which~~ later ~~became,~~ U.S. Bank National Association)) the following security interests to secure the Prepetition Inc. Obligations: (1) the pledge of all issued and outstanding equity interests in each of the Prepetition Inc. Guarantors; (2) certain assets of One Dot Four ~~Corp.~~ and One Dot Six ~~Corp~~ (namely, the One Dot Four Lease and related assets and the One Dot Six Lease and related assets); and (3) all products and proceeds of each of the foregoing. This security provided priority liens on hundreds of millions of dollars in (albeit illiquid) assets that otherwise would have been available to creditors of the Company. Indeed, this transaction reflects Harbinger's plan to tie up the value of the licenses held by the One Dot Plaintiffs to protect Harbinger, and to provide Harbinger and the Prepetition Inc. Purported Lenders with senior liens on such assets ~~to jump~~ ahead of the ~~Ad Hoc Secured Group~~Prepetition LP Lenders (which held ~~a guarantee~~guarantees from LightSquared Inc.).

52. ~~49.~~ The Prepetition Inc. Security Amendment recites that it is entered into "in consideration of the premises and mutual covenants [t]herein contained." Nowhere in the Prepetition Inc. Security Amendment is there any indication that LightSquared Inc. or any of the Prepetition Inc. Guarantors received any consideration whatsoever for transferring substantial security to insiders under the Prepetition Inc. Security Amendment. In the Chapter 11 cases, Harbinger has argued that it provided an additional $15 million in funding in exchange for liens securing nearly $264 million in existing unsecured loans. Plainly, an additional $15 million in financing would be insufficient consideration to support this security giveaway. [redacted]

[redacted]

53. ~~50.~~ [redacted]

[redacted]

54. ~~51.~~ And, in fact, no substantial consideration was provided by the Harbinger entities (or any of the Prepetition Inc. Purported Lenders) for the liens.

55. ~~52. Before~~But for the preferential Prepetition Inc. Security Amendment and avoidable Prepetition Inc. Guarantees, the Prepetition Inc. Purported Lenders' claims against LightSquared Inc. ~~at issue herein~~ would have been pari passu with LightSquared Inc.'s other creditors with respect to the value of One Dot Four and One Dot Six. By taking those entities' stock as a pledge, ~~they gave themselves~~Harbinger gave itself and the other Prepetition Inc. Purported Lenders a superior position with respect to those assets (which constituted the bulk of the value supporting LightSquared Inc.'s guarantee of the LP Credit Agreement). Likewise, on information and belief, One Dot Four and One Dot Six had other creditors and intercompany obligations at the time of the pledge,~~13~~ and by causing those entities to pledge their assets, gave the Prepetition Inc. Purported Lenders a superior position with respect to those assets.[17]

~~12~~ [redacted]

~~13 These entities had other creditors as of the Petition Date. See One Dot Four Schedule of Assets and Liabilities [Docket No. 167] (listing, among others, non-intercompany contingent liability to First Energy); One Dot Six Schedule of Assets and Liabilities [Docket No. 168] (listing, among others, various trade payables).~~

[17] See One Dot Four Schedule of Assets and Liabilities [Docket No. 167] (listing, among others, non-intercompany contingent liability to First Energy); One Dot Six Schedule of Assets and Liabilities [Docket No. 168] (listing, among others, various trade payables).

56. ~~53. However~~Indeed, Harbinger's control of LightSquared Inc. and the Prepetition Inc. Guarantors was so complete that Harbinger could compel each such entity to ~~repay its debt~~ encumber its assets in favor of the Prepetition Inc. Purported Lenders– indeed, Harbinger's extraction of asset pledges and liens from LightSquared Inc. and the Prepetition Inc. Guarantors for the benefit of Harbinger and the other Prepetition Inc. Purported Lenders on account of their Prepetition Inc. Obligations was an effort to ensure precisely that.

57 ~~54.~~ Moreover, the Prepetition Inc. Security Amendment was made not to benefit the Company, but rather to protect ~~Falcone~~Harbinger. [redacted]

58. ~~55.~~ [redacted]

E. ~~BANKRUPTCY FILING BECOMES IMMINENT~~INVESTMENTS IN THE PREPETTION INC. CREDIT AGREEMENT WERE NOT MADE AT ARM'S LENGTH

~~56. Notwithstanding the cash infusion provided by the Prepetition Inc. Credit Agreement, and notwithstanding that LightSquared Inc. deferred all payments under the Prepetition Inc. Credit Agreement by exercising its PIK option, the Company's recognized even~~

~~14~~ [redacted]

~~before~~ ~~the Prepetition Inc. Credit Agreement was funded that it had insufficient liquidity to continue operations in the near term.~~

~~57. The Company's slim prospects for continuing avoiding default under its existing obligations were foreclosed in early 2012. On February 14, 2012 the FCC issued a public notice whereby it proposed to vacate its conditional waiver permitting the Company to operate and test its 4G LTE network and invited comment from interested parties. The basis for the FCC's proposal was that – as it had warned the Company at the outset of its application process – the FCC could not approve spectrum use that would interfere with the use of GPS equipment. As a consequence, on March 15, 2012, a major agreement between the Company and SprintCom, Inc. concerning the Company's 4G LTE network terminated, triggering an event of default under the LP Credit Agreement.~~

~~58. On March 15, 2012, LightSquared Inc., as borrower; One Dot Four Corp., One Dot Six Corp., and One Dot Six TVCC Corp., as the Prepetition Inc. Guarantors; the Prepetition Inc. Purported Lenders party thereto; and UBS, as administrative agent, entered into a Waiver and Second Amendment to the Prepetition Inc. Credit Agreement. Through such agreement, the parties:~~

- ~~Provided for the amendment of certain events of default and negative covenants and provided for the waiver of several events of default under the Prepetition Inc. Credit Agreement (including: (1) resulting from the failure to make payments under or the termination of the One Dot Four Lease; (2) resulting from the termination of the agreement with Sprint; (3) arising out of (a) the action taken by the FCC described above and (b) non-payment of amounts due under another agreement related to spectrum licenses).~~

- ~~Extended the Maturity Date under the Prepetition Inc. Credit Agreement to December 31, 2012, though there continued to be no expectation at the time that LightSquared Inc. would be able to pay off the principal and accrued interest on that date.~~

- ~~Added Section 10.19, which provides for the subordination in right of payment of the "loans" of affiliate lenders (i.e., Harbinger SP and Blue Line) and payments under the Prepetition Inc. Guarantees in respect of such "loans" to the prior payment in full in cash of all "loans" not held by such affiliate lenders.~~

~~59.~~ [redacted]

60. ~~To fully effectuate the subordination, on March 29, 2012, the existing purportedly Non-Affiliate Prepetition Inc. Purported Lenders (Mast and Seawall) and the Affiliate Prepetition Inc. Purported Lenders (Blue Line and Harbinger SP) entered into a Lender Subordination Agreement, acknowledged by U.S. Bank, National Association, as successor administrative agent and each of the Loan Parties party thereto. This agreement provided that Non-Affiliate Prepetition Inc. Purported Lenders must be repaid in full before Affiliate Prepetition Inc. Purported Lenders can be repaid, including pursuant to a bankruptcy proceeding.~~

~~61.~~ [redacted]

59. ~~62.~~ The ownership of the investment interests related to the Prepetition Inc. Credit Agreement did change hands. However, each time the transfer of an interest occurred, the acquirer was granted warrants for the purchase of LightSquared Inc.'s common stock [redacted]

60. ~~63.~~ On information and belief, the analyses performed by the "lenders" who invested in the Company through the Prepetition Inc. Credit Agreement focused not on any likely ability of the Company to pay back the amounts owed on the maturity date (because that was not the expectation), but rather on the residual value of the Company – the spectrum licenses

held by the Company, the value of the Company's equity and the resulting value of the warrants they would be given in connection with the investment.

61. ~~64.~~ Further, on information and belief, purportedly "outside" investors were ~~allotted a board seat, i.e., participation in control of the Company – a plain indicator of the equity nature of the investment~~permitted to observe Lightsquared Inc.'s board. On information and belief, Mast (or an affiliate of Mast), presently a direct or indirect holder of considerable Prepetition Inc. Obligations and Warrants, had appointed an agent to observe LightSquared Inc.'s board after acquiring its Prepetition Inc. Obligations, including at the time the preferential liens were transferred~~, making it a statutory insider in addition to Harbinger and Blue Line.~~ On information and belief, Mast was given the option of appointing a LightSquared Inc. board member.[19]

62 ~~65.~~ Moreover, Mast had a close relationship with LightSquared Inc. such that its transactions with LightSquared Inc. cannot be said to be at arm's length. Its considerable holdings of Prepetition Inc. Obligations and Warrants were acquired for the purposes of obtaining, and entitled it to, information that was not publically available to outsider investors.

63. ~~66.~~ In addition to being a statutory insider, Mast and all of the other Prepetition Inc. Purported Lenders came under common control of the Debtors by ceding their decision making under the Prepetition Inc. Credit Agreement to Harbinger. Mast and the other Prepetition Inc. Purported Lenders accepted the benefits of Harbinger's control over LightSquared Inc. and the Prepetition Inc. Guarantors as it caused these entities to transfer security interests for the benefit of the Prepetition Inc. Purported Lenders. Harbinger dominated and controlled the Prepetition Inc. Credit Agreement in fact and by its terms. Indeed, at all times relevant hereto, Harbinger entities held sufficient interests under the Prepetition Inc. Credit

[19] [redacted]

Agreement to constitute the "Required Lenders," giving them considerable control. For example, Harbinger acted unilaterally to make additional advances under the Prepetition Inc. Credit Agreement and had the authority to unilaterally sign the Prepetition Inc. Security Amendment. As willing subjects of Harbinger's control under the credit agreement and beneficiaries of Harbinger's control of LightSquared Inc. and the Prepetition Inc. Guarantors, the Prepetition Inc. Purported Lenders are insiders of those entities.

64 ~~67.~~ [redacted]

65 ~~68.~~ In addition to the fees it would earn in connection with the Prepetition Inc. Credit Agreement, on information and belief, UBS had additional relationship -related reasons for funding the loan and may have been backstopped by Harbinger. Thus, although UBS was an "outside" lender ~~was an Original LightSquared Inc. Lender~~, that fact alone fails as a proxy for the ~~merits of the underlying~~entire investment because, (a) the majority of the loan was initially funded by insiders; and (b) the "non-insider" lender had incentives to fund ~~that were exogenous~~unrelated to LightSquared Inc.'s creditworthiness or other market considerations.

66 ~~69.~~ As the above alleged facts show, the purpose of the Prepetition Inc. Credit Agreement and subsequent LightSquared Inc. Security Agreement was to benefit Harbinger and

the Prepetition Inc. Purported Lenders to the detriment of legitimate creditors. Harbinger controlled the ~~Debtor~~Company and controlled the "lending group," and negotiated with itself to create a "loan" that almost assuredly would not be repaid at "maturity," but if the Company ~~was successful~~prevailed with the FCC, would result in windfall profits. Harbinger did this as a last ditch shot to preserve its equity interest in the ~~Debtor~~Company, while attempting to mitigate the downside by calling the investment "credit."

F. BANKRUPTCY FILING BECOMES IMMINENT

67 Notwithstanding the cash infusion provided by the Prepetition Inc. Credit Agreement, and notwithstanding that LightSquared Inc. deferred all payments under the Prepetition Inc. Credit Agreement by exercising its PIK option, the Company recognized even before the Prepetition Inc. Credit Agreement was funded that it had insufficient liquidity to continue operations in the near term.

68 The Company's slim prospects for continuing to avoid default under its existing obligations were foreclosed in early 2012. On February 14, 2012 the FCC issued a public notice whereby it proposed to vacate its conditional waiver permitting the Company to operate and test its 4G LTE network and invited comment from interested parties. The basis for the FCC's proposal was that—as it had warned the Company at the outset of its application process—the FCC could not approve spectrum use that would interfere with the use of GPS equipment. As a consequence, on March 15, 2012, a major agreement between the Company and SprintCom, Inc. concerning the Company's 4G LTE network terminated, triggering an event of default under the LP Credit Agreement.

69. On March 15, 2012, LightSquared Inc., as borrower; One Dot Four, One Dot Six, and One Dot Six TVCC, as the Prepetition Inc. Guarantors; the Prepetition Inc. Purported

Lenders party thereto; and UBS, as administrative agent, entered into a Waiver and Second Amendment to the Prepetition Inc. Credit Agreement. Through such agreement, the parties:

- Provided for the amendment of certain events of default and negative covenants and provided for the waiver of several events of default under the Prepetition Inc. Credit Agreement (including: (1) resulting from the failure to make payments under or the termination of the One Dot Four Lease; (2) resulting from the termination of the agreement with Sprint; and (3) arising out of (a) the action taken by the FCC described above and (b) non-payment of amounts due under another agreement related to spectrum licenses).

- Extended the Maturity Date under the Prepetition Inc. Credit Agreement to December 31, 2012, though there continued to be no expectation at the time that LightSquared Inc. would be able to pay the principal and accrued interest on that date.

- Added Section 10.19, which provides for the subordination in right of payment of the "loans" of affiliate lenders (i.e., Harbinger SP and Blue Line) and payments under the Prepetition Inc. Guarantees in respect of such "loans" to the prior payment in full in cash of all "loans" not held by such affiliate lenders.

70. [redacted]

71 On March 29, 2012, to fully effectuate the subordination described above, the existing purportedly Non-Affiliate Prepetition Inc. Purported Lenders (Mast and Seawall) and the Affiliate Prepetition Inc. Purported Lenders (Blue Line and Harbinger SP) entered into a Lender Subordination Agreement, acknowledged by U.S. Bank, National Association, as successor administrative agent and each of the Loan Parties party thereto. This agreement provided that Non-Affiliate Prepetition Inc. Purported Lenders must be repaid in full before Affiliate Prepetition Inc. Purported Lenders can be repaid, including pursuant to a bankruptcy proceeding.

72. [redacted]

G. ~~F.~~ THE CHAPTER 11 CASES

73. ~~70.~~ On May 14, 2012 (the "Petition Date"), each of the Debtors filed a voluntary petition under Chapter 11 of the Bankruptcy Code in this Court.

74. ~~71.~~ These Chapter 11 Cases are jointly administered for procedural purposes. The Debtors are authorized to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

75. ~~72.~~ No official committee has been appointed in the Chapter 11 Cases. No request for the appointment of a trustee or examiner has been made in the Chapter 11 Cases.

76. ~~73.~~ While Defendants have asserted a secured claim for approximately $322 million based on the Prepetition Inc. Credit Agreement, all claims based on that agreement should be recharacterized as equity and subordinated to the claims of the ~~Ad Hoc Secured Group, in spite of the self serving label the participants placed on the agreement~~Prepetition LP Lenders. On information and belief:

- The transaction initiated by the Prepetition Inc. Credit Agreement does not bear the earmarks of an arm's length transaction. Indeed, the very purpose of the "loan" was to benefit Harbinger to the detriment of the Company's creditors. And the only way the investment was able to be carried out was because Harbinger controlled LightSquared Inc.; Harbinger controlled the Prepetition Inc. Guarantors; Harbinger controlled the "lending" group; and Harbinger promised the "lenders" an equity return. The Company had no ability to obtain true, simple loans from outside lending institutions.

- At the time of the investment, and thereafter, LightSquared Inc. was undercapitalized.

- The Defendants' claims are largely those of insiders and/or derive from the participation of insiders. The vast majority of funds provided under the Prepetition Inc. Credit Agreement came from insiders. The initial investors were Harbinger SP, an insider, Blue Line, an insider, and UBS. Harbinger SP and Blue Line collectively provided approximately 70% of the initial commitments under the Prepetition Inc. Credit Agreement.

- In effect, Harbinger, who dominated and controlled each of the Debtors (including LightSquared Inc., One Dot Four ~~Corp.~~, One Dot Six ~~Corp.~~ and One Dot Six TVCC ~~Corp.~~) and dominated and controlled the "lending" group, negotiated both sides of the deal. ~~He~~It negotiated for the "borrower," ~~he negotiated~~ for the "guarantors," and ~~he negotiated for~~ the "lenders."

- At the time of the Prepetition Inc. Credit Agreement, the obligations thereunder were unsecured. It was not until almost two months later, on August 23, 2011, through the "First Amendment to Credit Agreement" that the obligations were secured.

- On information and belief, the intent of ~~Plaintiffs~~the Debtors and Defendants was to participate in an investment driven by the possibility of equity returns, and they did not intend ~~nor~~or believe that they were entering into a true debtor-creditor relationship.

- While facially, the Prepetition Inc. Credit Agreement purports to evidence debt, ~~even~~ the Prepetition Inc. Credit Agreement itself reveals the true nature of the transaction as an equity play, based on the warrants referenced in the Prepetition Inc. Credit Agreement and issued in connection therewith.

- ~~Despite the differing structure expressed in~~Although the Prepetition Inc. Credit Agreement purports to evidence debt, the economic reality confronting LightSquared Inc. and the Defendants at the inception of the Prepetition Inc. Credit Agreement and thereafter evidences the intent to provide the Defendants with an equity return through the transaction.

- While~~,~~ facially, the Prepetition Inc. Credit Agreement stated a maturity date of July 1, 2012, which, on March 15, 2012, was later extended to December 31, 2012, such dates were meaningless. At the time each Defendant signed on as a "lender" in connection with the Prepetition Inc. Credit Agreement, no reasonable expectation existed that the funds provided to LightSquared Inc. in connection with the Prepetition Inc. Credit Agreement would be repaid upon maturity; LightSquared Inc. itself had no expectation that it would have funds to repay the amounts received under the Prepetition Inc. Credit Agreement.

- While~~,~~ facially, the Prepetition Inc. Credit Agreement did have a stated interest rate of 15%, such interest rate also was meaningless. The ~~language of the~~ Prepetition Inc. Credit Agreement ~~was very loose, such~~stated that interest did not need to be paid until maturity (and of course, it was not), when it would be added to the principal amount. Further, no expectation existed that LightSquared Inc. would be able to pay such interest at "maturity." Moreover, the 15% interest rate did not drive the expected rate of return on the investment. The motivating factor for the "lenders" to participate was not the 15% interest rate stated on the face of the Prepetition Inc. Credit Agreement, because the lenders knew it was highly unlikely the payment of such interest would occur upon maturity.

- Rather~~,~~ the warrants – an equity investment ~~—~~ given to the Defendants to incentivize them to enter into the transactions in which Defendants signed on as "lenders~~,~~" overwhelmingly drove the Defendants' expected rate of return.

- The Defendants expected to receive an equity-like return from their investment. Such returns were contingent on the success of LightSquared Inc. and in particular on the reversal of the FCC position with respect to the use of certain licenses owned by the Company.

77 ~~74.~~ In seeking to stonewall and deny discovery to the Ad Hoc Secured Group related to the investigation of this Complaint, Harbinger asserted that "as these cases progress, it will become clear that sufficient value exists to pay all creditors in full under a chapter 11 plan." This position simply reinforces that justice requires the subordination and recharacterization of Defendants' claims – if Harbinger's assertion is true, then Defendants have nothing to worry about and everyone will be paid in full.

FIRST
CLAIM FOR RELIEF

(Avoidance and Recovery of Preferential Transfer – 11 U.S.C. §§ 547 and 550)

(LightSquared Inc. Against All Defendants)

78 ~~75.~~ Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

79 ~~76.~~ Under 11 U.S.C. § 547, any debtor may avoid any transfer of an interest of the debtor in property, (1) to or for the benefit of a creditor, (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made, (3) made while the Debtor was insolvent, (4) made (A) on or within 90 days before the date of the filing of the petition, or (B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider, and (5) that enables such creditor to receive more than such creditor would receive if (A) the Debtor's case were a case under chapter 7 of the

Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

80. ~~77.~~ Within one year of the Petition Date, LightSquared Inc. made transfers ("LightSquared Inc. Preferential Transfers") ~~of interest~~ to the ~~defendants to this claim,~~Defendants in the form of LightSquared Inc.'s pledges of its equity interests in One Dot Four ~~Corp.~~ and One Dot Six ~~Corp. to the Lenders under the Prepetition Inc. Credit Agreement~~, pursuant to the "First Amendment to Credit Agreement" on or about August 23, 2011.

81. ~~78.~~ Each of the LightSquared Inc. Preferential Transfers constituted a transfer of an interest in LightSquared Inc.'s property.

82 ~~79.~~ Each of the LightSquared Inc. Preferential Transfers was to or for the benefit of a creditor.

83 ~~80.~~ Each of the LightSquared Inc. Preferential Transfers was for or on account of an antecedent debt owed by LightSquared Inc. before it was made.

84. ~~81.~~ Each of the LightSquared Inc. Preferential Transfers was made while LightSquared Inc. was insolvent.

85. ~~82.~~ Each of the LightSquared Inc. Preferential Transfers was made on or within 90 days before the Petition Date, or was to an insider within the meaning of ~~section~~11 U.S.C. § 101(31) ~~of the Bankruptcy Code~~ and was made between ninety days and one year before the Petition Date.

86 ~~83.~~ Each of the LightSquared Inc. Preferential Transfers enabled such creditor to receive more than the creditor would receive if (A) LightSquared Inc.'s case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

87. ~~84.~~ Each of the LightSquared Inc. Preferential Transfers constitutes an avoidable preferential transfer, within the meaning of ~~section 547 of the Bankruptcy Code.~~11 U.S.C. § 547.

88. ~~85.~~ By virtue of the foregoing, Plaintiff LightSquared Inc. is entitled to avoid and recover each of the LightSquared Inc. Preferential Transfers under 11 U.S.C. §§ 547(b) and 550.

89 ~~86.~~ Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

90. ~~87.~~ Each ~~defendant~~Defendant to this claim is the initial transferee of one or more of the LightSquared Inc. Preferential Transfers, the entity for whose benefit one or more of the LightSquared Inc. Preferential Transfers was made, or an immediate or mediate transferee of the initial transferee.

91 ~~88.~~ To the extent that one or more of the LightSquared Inc. Preferential Transfers is avoided, Plaintiff LightSquared Inc. may recover the property transferred, or the value of the transferred property, from each ~~defendant~~Defendant to this claim pursuant to ~~section~~11 U.S.C. § 550(a) ~~of the Bankruptcy Code~~.

92. ~~89.~~ Plaintiff ~~seeks to recover damages from each defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the LightSquared Inc. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.~~

~~90.~~ ~~Plaintiff~~LightSquared Inc. seeks to recover damages from each ~~defendant~~Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the LightSquared Inc. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

SECOND
CLAIM FOR RELIEF
(Equitable Subordination and Subordination – 11 U.S.C. §§ 510 and 105(a))
(By Plaintiff LightSquared Inc. Against All Defendants)

93. ~~91.~~ Plaintiffs repeat and reallege the facts alleged in each preceding paragraph of the Complaint as though fully set forth herein.

94 ~~92.~~ The owners of investments through the Prepetition Inc. Credit Agreement assert secured claims against the Debtors in the approximate amount of $322,333,494.

95 ~~93.~~ The conduct of Defendants, as alleged herein, is inequitable, and has resulted in injury to the ~~Ad Hoc Secured Group~~Prepetition LP Lenders and/or conferred an unfair advantage on Defendants.

96 ~~94.~~ Equitable subordination of the Defendants' claims to the claims of the ~~Ad Hoc Secured Group~~Prepetition LP Lenders is consistent with the provisions of the Bankruptcy Code.

97 ~~95.~~ Accordingly, under principles of equitable subordination, all claims asserted against the Debtors by, on behalf of, or for the benefit of the Defendants or their affiliated entities should be subordinated to the claims of the ~~Ad Hoc Secured Group~~Prepetition LP Lenders for purposes of distribution, pursuant to ~~Sections~~11 U.S.C. §§ 510(c)(1) and 105(a) ~~of the Bankruptcy Code.~~ .

THIRD
CLAIM FOR RELIEF
(Recharacterization of Debt to Equity – 11 U.S.C. § 105 and applicable case law)
(By Plaintiff LightSquared Inc. Against all Defendants)

98. ~~96.~~ Plaintiffs repeat and reallege the facts alleged in each preceding paragraph of the Complaint as though fully set forth herein.

99 ~~97.~~ Considering the totality of the circumstances, justice and equity require that all of the claims of Defendants against the Debtors should be recharacterized as equity interests. In determining this, courts do not accept the label of debt or equity placed on a transaction but must inquire into the actual nature of a transaction to determine how best to characterize it. Here, Defendants' claims should be characterized as equity based upon at least the following factors (as more particularly alleged throughout this Complaint):

- The transaction initiated by the Prepetition Inc. Credit Agreement does not bear the earmarks of an arm's length transaction. Indeed, the very purpose of the "loan" was to benefit Harbinger to the detriment of the Company's creditors. And the only way the investment was able to be carried out was because Harbinger controlled LightSquared Inc.; Harbinger controlled the Prepetition Inc. Guarantors; Harbinger controlled the "lending" group; and Harbinger promised an equity return. The Company had no ability to obtain true, simple loans from outside lending institutions.

- At the time of the investment, and thereafter, LightSquared Inc. was undercapitalized.

- The claims are largely those of insiders and/or at a minimum derive from investments initially made by insiders. The vast majority of funds provided under the Prepetition Inc. Credit Agreement came from insiders. The initial investors were Harbinger SP, an insider, Blue Line, an insider, and UBS AG, Stamford Branch. Harbinger SP and Blue Line collectively provided approximately 70% of the initial commitments under the Prepetition Inc. Credit Agreement.

- In effect, Harbinger, who dominated and controlled each of the Debtors (including LightSquared Inc., One Dot Four ~~Corp.~~, One Dot Six ~~Corp.~~ and One Dot Six TVCC ~~Corp.~~) and dominated and controlled the "lending" group, negotiated both sides of the deal. ~~He~~It negotiated for the "borrower," ~~he negotiated for~~ the "guarantors," and ~~he negotiated for~~ the "lenders."

- At the time of the Prepetition Inc. Credit Agreement, the obligations thereunder were unsecured. It was not until almost two months later, on August 23, 2011, through the "First Amendment to Credit Agreement" that the obligations were secured.

- On information and belief, the intent of ~~Plaintiffs~~the Debtors and Defendants was to participate in an investment driven by the possibility of equity returns, and they did not intend nor believe that they were entering into a true debtor-creditor relationship.

- While facially, the Prepetition Inc. Credit Agreement purports to evidence debt, even the Prepetition Inc. Credit Agreement itself reveals the true nature of the transaction as an equity play, based on the warrants referenced in the Prepetition Inc. Credit Agreement and issued in connection therewith.

- ~~Despite the differing structure expressed in~~Although the Prepetition Inc. Credit Agreement purports to evidence debt, the economic reality confronting LightSquared Inc. and the Defendants at the inception of the Prepetition Inc. Credit Agreement and thereafter evidences the intent to provide the Defendants with an equity return through the transaction.

- While~~,~~ facially, the Prepetition Inc. Credit Agreement stated a maturity date of July 1, 2012, which, on March 15, 2012, was later extended to December 31, 2012, such dates were meaningless. At the time each Defendant signed on as a "lender" in connection with the Prepetition Inc. Credit Agreement, no expectation existed that the funds provided to LightSquared Inc. in connection with the Prepetition Inc. Credit Agreement would be repaid upon maturity; LightSquared Inc. itself had no expectation that it would have funds to repay the amounts received under the Prepetition Inc. Credit Agreement.

- While~~,~~ facially, the Prepetition Inc. Credit Agreement did have a stated interest rate of 15%, such interest rate also was meaningless. The language of the Prepetition Inc. Credit Agreement was very loose, such that interest did not need to be paid until maturity (and of course, it was not), when it would be added to the principal amount. Further, no expectation existed that LightSquared Inc. would be able to pay such interest at "maturity." Moreover, the 15% interest rate did not drive the expected rate of return on the investment. The motivating factor for the "lenders" to participate was not the 15% interest rate stated on the face of the Prepetition Inc. Credit Agreement, because the lenders knew it was highly unlikely the payment of such interest would occur upon maturity.

- No sinking fund or reserve fund was ever established to ensure that LightSquared Inc. would be in a position to meet its obligations under the Prepetition Inc. Credit Agreement at its maturity date.

- Rather, the warrants – an equity investment ~~—~~ given to the Defendants to incentivize them to enter into the transactions in which Defendants signed on as "lenders," overwhelmingly drove the Defendants' expected rate of return.

- The Defendants expected to receive an equity-like return from their investment. Such returns were contingent on the success of LightSquared Inc. and in particular on the reversal of the FCC position regarding certain spectrum licenses.

100. ~~98.~~ For the reasons set forth above, the ~~Plaintiffs seek~~Plaintiff LightSquared Inc. seeks entry of an order declaring the Defendants' ~~Claims to be~~claims recharacterized as equity.

FOURTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Fraudulent Transfers – 11 U.S.C. § 548(a)(1)(B) and 550)
(By Plaintiff One Dot Six Corp. Against All Defendants)

101. ~~99.~~ Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

102 ~~100.~~ On or about July 1, 2011, within two years of the Petition Date (in fact, within one year), One Dot Six ~~Corp.~~ transferred an interest and/or incurred an obligation, in the form of the issuance of a guarantee in connection with the Prepetition Inc. Credit Agreement, to or for the benefit of the ~~defendants~~Defendants to this claim ("One Dot Six Corp. Guarantee").

103. ~~101.~~ The issuance of the One Dot Six Corp. Guarantee constituted a transfer of an interest in the property of One Dot Six ~~Corp.~~, and/or the incurrence of an obligation by One Dot Six ~~Corp~~.

104 ~~102.~~ The One Dot Six Corp. Guarantee was made for less than fair consideration and less than a reasonably equivalent value. The One Dot Six Corp. Guarantee was made for no consideration.

105 ~~103.~~ At the times of, and subsequent to, issuance of the One Dot Six Corp. Guarantee, One Dot Six ~~Corp.~~ had at least one creditor with an allowable unsecured claim for liabilities, which remained unsatisfied as of the Petition Date.

106. ~~104.~~ The One Dot Six Corp. Guarantee (a) was made when One Dot Six ~~Corp.~~ was insolvent; (b) rendered One Dot Six ~~Corp.~~ insolvent; (c) left One Dot Six ~~Corp.~~ with unreasonably small capital in relation to its business at the time; or (d) was made to or for the benefit of an insider or was an obligation to or incurred for the benefit of an insider under an employment contract and not in the ordinary course of business.

107. ~~105.~~ At the time of each of the One Dot Six Corp. Guarantee, One Dot Six ~~Corp.~~ incurred and intended, or believed that it would incur, debts that would be beyond its ability to pay as such debts matured.

108. ~~106.~~ By virtue of the foregoing, the One Dot Six Corp. Guarantee was a fraudulent transfer avoidable under 11 U.S.C. § 548(a)(1)(B), and Plaintiff One Dot Six ~~Corp.~~ is entitled to recover it under 11 U.S.C. § 550.

109 ~~107.~~ Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

110. ~~108.~~ Each ~~defendant~~Defendant to this claim is the initial transferee of the One Dot Six Corp. Guarantee, the entity for whose benefit it was made, or an immediate or mediate transferee of the initial transferee.

111. ~~109.~~ To the extent that the One Dot Six Corp. Guarantee is avoided, Plaintiff One Dot Six may recover the property transferred, or the value of the transferred property, from each ~~defendant~~Defendant to this claim pursuant to 11 U.S.C. § 550.

112. ~~110. Plaintiffs seek~~Plaintiff One Dot Six seeks to recover damages from each ~~defendant~~Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to the One Dot Six Corp. Guarantee as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

FIFTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Preferential Transfer – 11 U.S.C. §§ 547 and 550)
(By Plaintiff One Dot Six Corp. Against all Defendants)

113. ~~111.~~ Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

114 ~~112.~~ Under 11 U.S.C. § 547, any debtor may avoid any transfer of an interest of the debtor in property, (1) to or for the benefit of a creditor, (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made, (3) made while the Debtor was insolvent, (4) made (A) on or within 90 days before the date of the filing of the petition, or (B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider, and (5) that enables such creditor to receive more than such creditor would receive if (A) the Debtor's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

115. ~~113.~~ Within one year of the Petition Date, One Dot Six ~~Corp.~~ made transfers ("One Dot Six Corp. Preferential Transfers") of interest to the ~~defendants~~Defendants to this claim, in the form of One Dot Six ~~Corp.~~'s pledges of its equity interests in One Dot Six TVCC-~~Corp.~~, and provision of liens and security interests in the One Dot Six Lease and associated

assets and the proceeds of each of the foregoing, to the Prepetition Inc. Purported Lenders under the Prepetition Inc. Credit Agreement, on or about August 23, 2011.

116. ~~114.~~ Each of the One Dot Six Corp. Preferential Transfers constituted a transfer of an interest in One Dot Six ~~Corp.~~'s property.

117 ~~115.~~ Each of the One Dot Six Corp. Preferential Transfers was to or for the benefit of a creditor.

118 ~~116.~~ Each of the One Dot Six Corp. Preferential Transfers was for or on account of an antecedent debt owed by One Dot Six ~~Corp.~~ before it was made.

119. ~~117.~~ Each of the One Dot Six Corp. Preferential Transfers was made while One Dot Six ~~Corp.~~ was insolvent.

120. ~~118.~~ Each of the One Dot Six Corp. Preferential Transfers was made on or within 90 days before the Petition Date, or was to an insider within the meaning of ~~section~~ 11 U.S.C. §101(31) ~~of the Bankruptcy Code~~ and was made between ninety days and one year before the Petition Date.

121 ~~119.~~ Each of the One Dot Six Corp. Preferential Transfers enabled such creditor to receive more than the creditor would receive if (A) One Dot Six ~~Corp.~~'s case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

122 ~~120.~~ Each of the One Dot Six Corp. Preferential Transfers constitutes an avoidable preferential transfer, within the meaning of ~~section 547 of the Bankruptcy Code.~~ 11 U.S.C. § 547.

123. ~~121.~~ By virtue of the foregoing, Plaintiff One Dot Six ~~Corp.~~ is entitled to avoid and recover each of the One Dot Six Corp. Preferential Transfers under 11 U.S.C. §§ 547(b) and 550.

124. ~~122.~~ Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

125 ~~123.~~ Each ~~defendant~~Defendant to this claim is the initial transferee of one or more of the One Dot Six Corp. Preferential Transfers, the entity for whose benefit one or more of the One Dot Six Corp. Preferential Transfers was made, or an immediate or mediate transferee of the initial transferee.

126. ~~124.~~ To the extent that one or more of the One Dot Six Corp. Preferential Transfers is avoided, Plaintiff One Dot Six ~~Corp.~~ may recover the property transferred, or the value of the transferred property, from each ~~defendant~~Defendant to this claim pursuant to 11 U.S.C. § 550(a).

127. ~~125.~~ Plaintiff One Dot Six seeks to recover damages from each ~~defendant~~Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the One Dot Six Corp. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

SIXTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Fraudulent Transfers – 11 U.S.C. §§ 548(a)(1)(B) and 550)
(By Plaintiff One Dot Four Corp. Against All Defendants)

128. ~~126.~~ Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

129 ~~127.~~ On or about July 1, 2011, within two years of the Petition Date (in fact, within one year), One Dot Four ~~Corp.~~ transferred an interest and/or incurred an obligation, in the form of the issuance of a guarantee in connection with the Prepetition Inc. Credit Agreement, to or for the benefit of the ~~defendants~~Defendants to this claim ("One Dot Four Corp. Guarantee").

130. ~~128.~~ The issuance of the One Dot Four Corp. Guarantee constituted a transfer of an interest in the property of One Dot Four ~~Corp.~~, and/or the incurrence of an obligation by One Dot Four ~~Corp~~.

131 ~~129.~~ The One Dot Four Corp. Guarantee was made for less than fair consideration and less than a reasonably equivalent value. The One Dot Four Corp. Guarantee was made for no consideration.

132 ~~130.~~ At the times of, and subsequent to, issuance of the One Dot Four Corp. Guarantee, One Dot Four ~~Corp.~~ had at least one creditor with an allowable unsecured claim for liabilities, which remained unsatisfied as of the Petition Date.

133. ~~131.~~ The One Dot Four Corp. Guarantee (a) was made when One Dot Four ~~Corp.~~ was insolvent; (b) rendered One Dot Four ~~Corp.~~ insolvent; (c) left One Dot Four ~~Corp.~~ with unreasonably small capital in relation to its business at the time; or (d) was made to or for the benefit of an insider or was an obligation to or incurred for the benefit of an insider under an employment contract and not in the ordinary course of business.

134. ~~132.~~ At the time of each of the One Dot Four Corp. Guarantee, One Dot Four~~ Corp.~~ incurred and intended, or believed that it would incur, debts that would be beyond its ability to pay as such debts matured.

135. ~~133.~~ By virtue of the foregoing, the One Dot Four Corp. Guarantee was a fraudulent transfer avoidable under 11 U.S.C. § 548(a)(1)(B), and Plaintiff One Dot Four~~ Corp.~~ is entitled to recover it under 11 U.S.C. § 550.

136 ~~134.~~ Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from — (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

137. ~~135.~~ Each ~~defendant~~Defendant to this claim is the initial transferee of the One Dot Four Corp. Guarantee, the entity for whose benefit it was made, or an immediate or mediate transferee of the initial transferee.

138. ~~136.~~ To the extent that the One Dot Four Corp. Guarantee is avoided, Plaintiff One Dot Four may recover the property transferred, or the value of the transferred property, from each ~~defendant~~Defendant to this claim pursuant to 11 U.S.C. § 550(a).

139. ~~137.~~ Plaintiff One Dot Four seeks to recover damages from each ~~defendant~~Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to the One Dot Four Corp. Guarantee as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

SEVENTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Preferential Transfer – 11 U.S.C. §§ 547 and 550)
(By Plaintiff One Dot Four Corp. Against all Defendants)

140. ~~138.~~ Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

141 ~~139.~~ Under 11 U.S.C. § 547, any debtor may avoid any transfer of an interest of the debtor in property, (1) to or for the benefit of a creditor, (2) for or on account of an antecedent debt owed by the Debtor before such transfer was made, (3) made while the Debtor was insolvent, (4) made (A) on or within 90 days before the date of the filing of the petition, or (B) between ninety days and one year before the date of the filing of the petition, if such creditor at the time of such transfer was an insider, and (5) that enables such creditor to receive more than such creditor would receive if (A) the Debtor's case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

142. ~~140.~~ Within one year of the Petition Date, One Dot Four ~~Corp.~~ made transfers ("One Dot Four Corp. Preferential Transfers") of interest to the ~~defendants~~Defendants to this claim, in the form of One Dot Four ~~Corp.~~'s pledges of and provision of liens and security interests in the One Dot Four Lease and associated assets and the proceeds of each of the foregoing, to the Prepetition Inc. Purported Lenders under the Prepetition Inc. Credit Agreement, on or about August 23, 2011.

143 ~~141.~~ Each of the One Dot Four Corp. Preferential Transfers constituted a transfer of an interest in One Dot Four ~~Corp.~~'s property.

144 ~~142.~~ Each of the One Dot Four Corp. Preferential Transfers was to or for the benefit of a creditor.

145. ~~143.~~ Each of the One Dot Four Corp. Preferential Transfers was for or on account of an antecedent debt owed by One Dot Four ~~Corp.~~ before it was made.

146. ~~144.~~ Each of the One Dot Four Corp. Preferential Transfers was made while One Dot Four ~~Corp.~~ was insolvent.

147 ~~145.~~ Each of the One Dot Four Corp. Preferential Transfers was made on or within 90 days before the Petition Date, or was to an insider within the meaning of 11 U.S.C. § 101(31) and was made between ninety days and one year before the Petition Date.

148. ~~146.~~ Each of the One Dot Four Corp. Preferential Transfers enabled such creditor to receive more than the creditor would receive if (A) One Dot Four ~~Corp.~~'s case were a case under chapter 7 of the Bankruptcy Code, (B) the transfer had not been made, and (C) such creditor received payment of such debt to the extent provided by the provisions of the Bankruptcy Code.

149. ~~147.~~ Each of the One Dot Four Corp. Preferential Transfers constitutes an avoidable preferential transfer, within the meaning of section 547 of the Bankruptcy Code.

150 ~~148.~~ By virtue of the foregoing, Plaintiff One Dot Four ~~Corp.~~ is entitled to avoid and recover each of the One Dot Four Corp. Preferential Transfers under 11 U.S.C. §§ 547(b) and 550.

151. ~~149.~~ Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the court so orders, the value of such property, from— (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

152. ~~150.~~ Each ~~defendant~~Defendant to this claim is the initial transferee of one or more of the One Dot Four Corp. Preferential Transfers, the entity for whose benefit one or more of the One Dot Four Corp. Preferential Transfers was made, or an immediate or mediate transferee of the initial transferee.

153 ~~151.~~ To the extent that one or more of the One Dot Four Corp. Preferential Transfers is avoided, Plaintiff One Dot Four ~~Corp.~~ may recover the property transferred, or the value of the transferred property, from each ~~defendant~~Defendant to this claim pursuant to ~~section~~11 U.S.C. § 550(a) of the Bankruptcy Code.

154. ~~152.~~ Plaintiff One Dot Four seeks to recover damages from each ~~defendant~~Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to each of the One Dot Four Corp. Preferential Transfers as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

EIGHTH
CLAIM FOR RELIEF
(Avoidance and Recovery of Fraudulent Transfers – 11 U.S.C. §§ 548(a)(1)(B) and 550)
(By Plaintiff One Dot Six TVCC Corp. Against All Defendants)

155. ~~153.~~ Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

156. ~~154.~~ On or about July 1, 2011, within two years of the Petition Date (in fact, within one year), One Dot Six TVCC ~~Corp.~~ transferred an interest and/or incurred an obligation, in the form of the issuance of a guarantee in connection with the Prepetition Inc. Credit Agreement, to or for the benefit of the ~~defendants~~Defendants to this claim ("One Dot Six TVCC Corp. Guarantee").

157. ~~155.~~ The issuance of the One Dot Six TVCC Corp. Guarantee constituted a transfer of an interest in the property of One Dot Six TVCC ~~Corp.~~, and/or the incurrence of an obligation by One Dot Six TVCC ~~Corp~~.

158. ~~156.~~ The One Dot Six TVCC Corp. Guarantee was made for less than fair consideration and less than a reasonably equivalent value. The One Dot Six TVCC Corp. Guarantee was made for no consideration.

159 ~~157.~~ At the times of, and subsequent to, issuance of the One Dot Six TVCC Corp. Guarantee, One Dot Six TVCC ~~Corp.~~ had at least one creditor with an allowable unsecured claim for liabilities, which remained unsatisfied as of the Petition Date.

160 ~~158.~~ The One Dot Six TVCC Corp. Guarantee (a) was made when One Dot Six TVCC ~~Corp.~~ was insolvent; (b) rendered One Dot Six TVCC ~~Corp.~~ insolvent; (c) left One Dot Six TVCC ~~Corp.~~ with unreasonably small capital in relation to its business at the time; or (d) was made to or for the benefit of an insider or was an obligation to or incurred for the benefit of an insider under an employment contract and not in the ordinary course of business.

161 ~~159.~~ At the time of each of the One Dot Six TVCC Corp. Guarantee, One Dot Six TVCC ~~Corp.~~ incurred and intended, or believed that it would incur, debts that would be beyond its ability to pay as such debts matured.

162. ~~160.~~ By virtue of the foregoing, the One Dot Six TVCC Corp. Guarantee was a fraudulent transfer avoidable under 11 U.S.C. § 548(a)(1)(B), and Plaintiff One Dot Six TVCC ~~Corp.~~ is entitled to recover it under 11 U.S.C. § 550.

163. ~~161.~~ Under 11 U.S.C. § 550(a), "[e]xcept as otherwise provided in this section, to the extent that a transfer is avoided under section 544, 545, 547, 548, 549, 553(b), or 724(a) of this title, the trustee may recover, for the benefit of the estate, the property transferred, or, if the

court so orders, the value of such property, from — (1) the initial transferee of such transfer or the entity for whose benefit such transfer was made; or (2) any immediate or mediate transferee of such initial transferee."

164. ~~162.~~ Each ~~defendant~~Defendant to this claim is the initial transferee of the One Dot Six TVCC Corp. Guarantee, the entity for whose benefit it was made, or an immediate or mediate transferee of the initial transferee.

165 ~~163.~~ To the extent that the One Dot Six TVCC Corp. Guarantee is avoided, Plaintiff One Dot Six TVCC may recover the property transferred, or the value of the transferred property, from each ~~defendant~~Defendant to this claim pursuant to 11 U.S.C. § 550(a).

166 ~~164.~~ Plaintiff One Dot Six TVCC seeks to recover damages from each ~~defendant~~Defendant to this claim in an amount equal to the dollar value of the property transferred pursuant to the One Dot Six TVCC Corp. Guarantee as of the date of the transfer, together with interest on that amount from the date of the transfer, attorneys' fees, and costs of suit and collection allowable by law.

NINTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff LightSquared Inc. Against All Defendants)

167 Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

168. As the controlling shareholder of LightSquared Inc. and by virtue of Harbinger's domination and control over LightSquared Inc. and its board of directors, Harbinger owed LightSquared Inc. fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward LightSquared Inc., and in furtherance of the best interests of LightSquared Inc. The directors and officers of LightSquared Inc. owed these same fiduciary duties. By July 2011,

these fiduciary duties were enforceable by LightSquared Inc.'s creditors by virtue of the fact that LightSquared Inc. was insolvent at that time.

169. Harbinger and the directors and officers of LightSquared Inc. breached their fiduciary duties by causing LightSquared Inc. to enter into the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment. The fiduciaries knew that the essence of the transactions effected by the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment was to make an equity investment in the Company. Yet, they documented the transaction as a purported credit transaction, the effect of which was to use estate assets to circumvent creditor priority and the absolute priority rule for the benefit of Harbinger and the other Prepetition Inc. Purported Lenders.

170. In particular, Harbinger had a duty of loyalty to act in the best interest of LightSquared Inc. and to abstain from self-dealing and pursuing personal interests not shared by LightSquared Inc. and its creditors. Harbinger breached this fiduciary duty by engaging in acts of self-dealing in the form of the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment, a transaction that would harm, not benefit, LightSquared Inc. and its creditors, in order to enrich Harbinger itself and those Harbinger controlled (such as LightSquared Inc.'s directors and officers). Harbinger was interested in the transactions and lacked the independence to determine objectively whether the transactions were in the best interest of LightSquared and its creditors – indeed, Harbinger was on both sides of these transactions as Harbinger was both a lender and also controlled LightSquared Inc. itself.

171. Through the transactions, Harbinger received material benefits, such as the Warrants and exorbitant interest rates, not equally shared by all of LightSquared Inc.'s shareholders, let alone LightSquared Inc.'s other creditors. The directors and officers also

received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

172. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in, and substantially assisted, the breaches of those duties as further alleged herein. Each of the Defendants knew that the essence of the transactions effected by the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment was to make an equity investment in the Company. Yet, they documented the transaction as a purported credit transaction, to circumvent creditor priority and the absolute priority rule for their own benefit.

173 LightSquared Inc. and its creditors were damaged by Harbinger's breaches of fiduciary duty because such breaches resulted in the re-ordering of creditor priority and the circumvention of the absolute priority rule, in that Harbinger and the other Prepetition Inc. Purported Lenders granted themselves status as secured lenders even though they were really equity investors in LightSquared Inc. Therefore, the Defendants granted themselves value at the expense of LightSquared Inc. and to the detriment of its creditors.

TENTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff One Dot Four Corp. Against All Defendants)

174. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

175 As the controlling shareholder of LightSquared Inc., and by virtue of Harbinger's domination and control over the entire Company, including LightSquared Inc. and its board of directors, and over One Dot Four and its board of directors, Harbinger owed One Dot Four Corp. fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward One

Dot Four, and in furtherance of the best interests of One Dot Four. The directors and officers of One Dot Four owed these same fiduciary duties. By July of 2011, these fiduciary duties were enforceable by One Dot Four's creditors by virtue of the fact that One Dot Four was insolvent at that time.

176 Harbinger and One Dot Four's directors and officers breached their fiduciary duties by causing One Dot Four to provide a guarantee in connection with the Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment.

177. In particular, Harbinger and the directors and officers of One Dot Four Corp had a duty to act in the best interest of One Dot Four. The fiduciaries breached this fiduciary duty by engaging in acts of self-dealing in the form of causing One Dot Four to provide a guarantee in connection with the Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment. They caused One Dot Four to guarantee an obligation that they knew LightSquared Inc. had no ability to pay. They did this even though such transactions provided no value to One Dot Four. Indeed, such transactions constitute improper fraudulent transfers. They caused One Dot Four to provide the guarantee and pledge of security not to benefit One Dot Four but rather to benefit Harbinger itself and the other Prepetition Inc. Purported Lenders. Harbinger was interested in the transactions and lacked the independence to determine objectively whether the transactions were in the best interest of One Dot Four – indeed, Harbinger was on both sides of these transactions as Harbinger was both a lender and also controlled LightSquared Inc. (and One Dot Four) itself.

178 Through the transactions, Harbinger received material benefits, such as in the form of the Warrants and exorbitant interest rates, not equally shared by Lightsquared Inc. and

all of LightSquared Inc.'s shareholders, let alone One Dot Four's other creditors. The directors and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

179. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in and substantially assisted the breaches of those duties as further alleged herein. Each of the Defendants knew that LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due. Each of the Defendants knew that One Dot Four's guarantee and pledge of assets was in exchange for no value. Each of the Defendants knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit.

180 One Dot Four was damaged by the above-alleged breaches of fiduciary duty because it obligated itself in connection with the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment but received no value in exchange therefor, and LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement.

ELEVENTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff One Dot Six Corp. Against All Defendants)

181. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

182 As the controlling shareholder of LightSquared Inc., and by virtue of Harbinger's domination and control over the entire Company, including LightSquared Inc. and its board of directors, and over One Dot Six and its board of directors, Harbinger owed One Dot Six fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care toward One

Dot Six, and in furtherance of the best interests of One Dot Six. The directors and officers of One Dot Six owed these same fiduciary duties. By July of 2011, these fiduciary duties were enforceable by One Dot Six's creditors by virtue of the fact that One Dot Six was insolvent at that time.

183 Harbinger and One Dot Six's directors and officers breached their fiduciary duties by causing One Dot Six to provide a guarantee in connection with the Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment.

184. In particular, Harbinger and the directors and officers of One Dot Six had a duty to act in the best interest of One Dot Six. The fiduciaries breached this fiduciary duty by engaging in acts of self-dealing in the form of causing One Dot Six to provide a guarantee in connection with the Prepetition Inc. Credit Agreement and to pledge its securities in connection with the Prepetition Inc. Security Amendment. They caused One Dot Six to guarantee an obligation that they knew LightSquared Inc. had no ability to pay. They did this even though such transactions provided no value to One Dot Six. Indeed, such transactions constitute improper fraudulent transfers. They caused One Dot Six to provide the guarantee and pledge of security not to benefit One Dot Six but rather to benefit Harbinger itself and the other Prepetition Inc. Purported Lenders. Harbinger was interested in the transactions and lacked the independence to determine objectively whether the transactions were in the best interest of One Dot Six – indeed, Harbinger was on both sides of these transactions as Harbinger was both a lender and also controlled LightSquared Inc. (and One Dot Six) itself.

185 Through the transactions, Harbinger received material benefits, such as the Warrants and exorbitant interest rates, not equally shared by Lightsquared Inc. and all of

LightSquared Inc.'s shareholders, let alone One Dot Six's other creditors. The directors and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

186. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in and substantially assisted the breaches of those duties as further alleged herein. Each of the Defendants knew that LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due. Each of the Defendants knew that One Dot Six's guarantee and pledge of assets was in exchange for no value. Each of the Defendants knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit.

187 One Dot Six was damaged by the above-alleged breaches of fiduciary duty because it obligated itself in connection with the Prepetition Inc. Credit Agreement and Prepetition Inc. Security Amendment but received no value in exchange therefor, and LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement.

TWELFTH
CLAIM FOR RELIEF
(Aiding and Abetting Breach of Fiduciary Duty)
(By Plaintiff One Dot Six TVCC Corp. Against All Defendants)

188. Plaintiffs repeat and reallege each of the allegations set forth above and below as if fully set forth herein.

189 As the controlling shareholder of LightSquared Inc., and by virtue of Harbinger's domination and control over the entire Company, including LightSquared Inc. and its board of directors, and over One Dot Six TVCC and its board of directors, Harbinger owed One Dot Six TVCC fiduciary duties to act with the utmost good faith, loyalty, fair dealing and due care

toward One Dot Six TVCC, and in furtherance of the best interests of One Dot Six TVCC. The directors and officers of One Dot Six TVCC owed these same fiduciary duties. By July 2011, these fiduciary duties were enforceable by One Dot Six TVCC's creditors by virtue of the fact that One Dot Six TVCC was insolvent at that time.

190 Harbinger and One Dot Six TVCC's directors and officers breached their fiduciary duties by causing One Dot Six TVCC to provide a guarantee in connection with the Prepetition Inc. Credit Agreement.

191. In particular, Harbinger and the directors and officers of One Dot Six TVCC had a duty to act in the best interest of One Dot Six TVCC. The fiduciaries breached this fiduciary duty by engaging in acts of self-dealing in the form of causing One Dot Six TVCC to provide a guarantee in connection with the Prepetition Inc. Credit Agreement. They caused One Dot Six TVCC to guarantee an obligation that they knew LightSquared Inc. had no ability to pay. They did this even though such transaction provided no value to One Dot Six TVCC. Indeed, such transaction constitutes an improper fraudulent transfer. They caused One Dot Six TVCC to provide the guarantee not to benefit One Dot Six TVCC but rather to benefit Harbinger itself and the other Prepetition Inc. Purported Lenders. Harbinger was interested in the transaction and lacked the independence to determine objectively whether the transaction was in the best interest of One Dot Six TVCC – indeed, Harbinger was on both sides of the transaction as Harbinger was both a lender and also controlled LightSquared Inc. (and One Dot Six TVCC) itself.

192 Through the transaction, Harbinger received material benefits, such as the Warrants and exorbitant interest rates, not equally shared by Lightsquared Inc. and all of LightSquared Inc.'s shareholders, let alone One Dot Six TVCC's other creditors. The directors

and officers also received material benefits in the form of entrenchment, and they also lacked independence based on Harbinger's control and domination of them.

193. Each of the Defendants aided and abetted the above-described breaches of fiduciary duties because, among other things, they knew of the fiduciary duties yet knowingly participated in and substantially assisted the breaches of those duties as further alleged herein. Each of the Defendants knew that LightSquared Inc. had no ability to pay its debts under the Prepetition Inc. Credit Agreement when they came due. Each of the Defendants knew that One Dot Six TVCC's guarantee was in exchange for no value. Each of the Defendants knew that the investment in LightSquared Inc. was an equity investment disguised and mislabeled as credit.

194 One Dot Six TVCC was damaged by the above-alleged breaches of fiduciary duty because it obligated itself in connection with the Prepetition Inc. Credit Agreement but received no value in exchange therefor, and LightSquared Inc. defaulted on its obligations under the Prepetition Inc. Credit Agreement.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that this Court enter judgment in its favor, as requested above, and as further set forth below:

A. For an order avoiding and setting aside the transfers identified in Claims 1 and 4-8.

B. For an order directing each respective transferee of the transfers identified in Claims 1 and 4-8 to return to the bankruptcy estates the property transferred or pay the value of such property.

C. For an order disallowing any claim of each respective transferee ~~of~~based on the transfers identified in Claims 1 and 4-8 unless and until such transferee has turned

over to the bankruptcy estates the property transferred, or paid the value of such property, for which it is liable under ~~Bankruptcy Code~~11 U.S.C. § 550.

D. For subordination beneath the claims of the ~~Ad Hoc Secured Group~~Prepetition LP Lenders of all claims or proofs of claim which have been filed or brought or which may hereafter be filed or brought by, on behalf of, or for the benefit of any of the Defendants or their affiliated entities against the Debtors in the bankruptcy proceedings.

E. For an order recharacterizing as equity all claims or proofs of claim which have been filed or scheduled or which may hereafter be filed or scheduled by, on behalf of, or for the benefit of any of the Defendants or their affiliated entities against the Debtors in the bankruptcy proceedings.

F. For damages according to proof on Claims 9-12.

G. ~~F.~~ For such additional and further relief that Plaintiffs may be entitled to under law or equity.

Dated: ~~September~~November [__], 2012
New York, New York

WHITE & CASE LLP

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