

Iridium is being acquired by a SPAC

Our friend Andy Pasztor at the WSJ reported last week in his article, "Iridium, Greenhill Arm to Merge" that,

It will be interesting to see if this business combination will get the necessary shareholder votes to approve this merger.

"Satellite-phone provider Iridium Holdings LLC said it has agreed to a reverse merger with a listed affiliate of investment bank Greenhill & Co., intended to give it a roughly \$500 million cash infusion to help finance a new satellite system..."

Under the deal, which is subject to regulatory approvals, closely held Iridium, Bethesda, Md., will become part of GHL Acquisition Corp., New York, a separately traded affiliate of Greenhill. The mostly stock transaction values the satellite firm at about \$591 million. At the close of the transaction, Iridium's current shareholders will have received about \$100 million in cash and 36 million shares of the combined entity, with GHL envisioned to ultimately control about 55% of the new company..."

The overall deal is designed to make it easier to finance the construction and launch of a new satellite constellation projected to cost about \$2.7 billion. The GHL transaction is slated to close early next year."

...valuable time to wait for the equity markets to improve

It will be interesting to see if this business combination will get the necessary shareholder votes to approve this merger (70% threshold). We expect some of the challenges will be:

...many strategies...to ensure a positive vote.

- GHL shareholders may want to receive their cash back (~\$10.05 per share) rather than Iridium stock given the current equity market conditions.
- At ~\$600 million, Iridium is still a small cap company which may present a challenge for some shareholders.
- Convincing the shareholders that Iridium will be able to raise the remainder of the \$2.7 billion needed for the new satellite fleet. We expect this to be a tough sell in light of Globalstar's recent stock performance and the shareholder dilution this may present.

However, there are some positive things going for this deal:



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- The SPAC has until 2/14/2010 to consummate a business combination. This gives them valuable time to wait for the equity markets to improve. Iridium's current fleet is expected to last until 2013-2014.
- There are many strategies that a SPAC sponsor and its underwriters can do to ensure a positive vote. These include renegotiating deal terms, giving up sponsor shares, buying "yes" votes (however, this option may be limited since cash will be needed for the new fleet), etc. We note that some of these strategies have already been implemented such as their tender offer to buy up to 30% of the stock and the cancellation of some founder shares & warrants.

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