Milbank

Space Smart

Space Business Review

February 2007

- A monthly round-up of space industry developments for the information of our clients and friends -

SES to Buy Back 19.5% GE Capital Stake

On February 14, ***SES Global*** announced that it will buy back ***GE Capital***'s 19.5% stake in the company as part of a split-off transaction in which GE will exchange its shareholding in SES for shares in a new company, ***SES International Holdings***, ***Inc***. (SIH), comprising assets and €588 million in cash, subject to certain closing adjustments. SES has agreed to pay an equivalent of €12 for each exchanged share, resulting in a total transaction value of €1,238 million. The cash amount and the transaction value may be increased by approximately €45 million depending on the closing date. The assets of SIH will include the ***AMC-23*** satellite and its related business, 100% of ***SATLYNX***, 49.5% of ***Bowenvale*** (representing a 34.1% interest in ***AsiaSat***), 19.99% of ***Star One*** and 5.5% of ***Orbcomm***. The transaction, which is subject to approvals from regulatory authorities in Luxembourg and the U.S., allows SES to divest certain non-core assets following the completion of the ***New Skies Satellites*** merger in March of 2006 and results in a structured exit for GE, ending a six-year association between SES and GE dating back to 2001 when GE sold its ***GE Americom*** U.S. satellite fleet to SES. In a related development, press reports indicate that GE and ***CITIC***, the Chinese government owned group that owns part of AsiaSat, have tendered an offer to its remaining shareholders to purchase all of the Hong Kong-based satellite operator's publicly traded stock (NYSE & SEHK) at HK$18.30 a share (total price up to HK$2.236 billion or US$236 million) in an effort to relieve the company from the financial and administrative burdens of a dual listing and allow greater strategic flexibility going forward.

TerreStar Closes $500 Million Financing

TerreStar Networks Inc., a majority-owned subsidiary of ***Motient Corporation***, announced on February 15 that it had closed on the sale of $500 million in aggregate principal amount of its 15% senior secured PIK notes due 2014. TerreStar plans to use $72 million of net proceeds from the sale to repay certain indebtedness to its parent Motient, and the remainder for working capital and general corporate purposes, including the build-out of its Ancillary Terrestrial Component (ATC)-enabled S-band hybrid satellite and terrestrial network. The deal was upsized from an originally planned $450 million sale due to significant investor interest, particularly from the hedge fund sector. ***J.P. Morgan***, ***Lehman Brothers Inc***. and ***UBS Investment Bank*** acted as joint lead managers for the transaction.

XM & SIRIUS Satellite Announce Merger

On February 19, rival satellite digital audio radio service providers ***XM Satellite Radio Holdings Inc***. and ***Sirius Satellite Radio*** announced a planned "merger of equals" with each owning approximately 50% of the combined company. XM shareholders would receive 4.6 shares of Sirius stock for each share of XM they own, valuing the XM shares at $17.02, a 22% premium to its $13.98 price prior to the merger announcement. The combined company would have a market value of roughly $13 billion, including approximately $1.6 billion in net debt. XM's Gary Parsons would remain chairman of the combined company, while Sirius' Mel Karmazin would assume the role of CEO. The transaction must be approved by both companies' shareholders, the ***U.S. Department of Justice*** and the ***Federal Communications Commission***, which has in the past indicated significant concerns regarding such a merger.

February Launch Services Orders

On February 8, ***Lockheed Martin Commercial Launch Services*** announced that it will launch the ***Inmarsat 4 F3*** (BGAN) satellite on an ***Atlas 5*** vehicle in 1Q 2008. The 6,000 kg. satellite, based on the ***EADS Astrium Eurostar E3000*** platform, will be deployed at 178ºE to provide broadband services in the Pacific Ocean region. ***International Launch Services***, a joint venture between ***Space Transport Inc***., ***Khrunichev*** and ***RSC Energia*** announced on February 15 that it had been selected to launch the ***Ciel-2*** satellite on a ***Proton Breeze M*** vehicle in late 2008 for ***Ciel Satellite Group***. ***SES AMERICOM Inc***., a minority partner in Ciel, acted as the contracting agent for the launch. The spacecraft is the largest ***Alcatel Alenia Spacebus 4000 C4*** model to date with a mass of 5,575 kg. and is equipped with 32 Ku-band transponders. Ciel-2 will be positioned at 129ºW to deliver a variety of communications services throughout Canada and North America. On February 21, ILS announced that ***EchoStar Communications Corporation*** will launch an undisclosed satellite in 2008 on a ***Proton Breeze M*** vehicle. That same day, ***Arianespace*** and ***SES AMERICOM Inc***. announced a contract for launch of the ***AMC-21*** satellite on an Ariane 5 vehicle during 2Q 2008. The satellite, under construction by ***Alcatel Alenia Space*** and incorporating a ***STAR-2***™ bus supplied by ***Orbital Sciences Corporation***, will be equipped with 24 high-powered Ku-band channels and provide television and enterprise distribution services across the U.S., the Gulf of Mexico, the Caribbean and Central America.

To learn about Milbank's Space Business Practice, or view previous issues of the Space Business Review, please visit www.MilbankTech.com