IRIDIUM FINDS HOPE WITH NEW INVESTOR OFFER, 
AS GLOBALSTAR STOCK PLUMMETS

This week, there were key developments involving global mobile satellite phone service providers Globalstar and its bankrupt rival Iridium. First, there were strong indications that Iridium—which had been faced with the deorbiting of its 66-satellite global constellation—will survive after all, as a new investor group formed a start-up company, dubbed Iridium Satellite LLC (ISLLC), that submitted an offer of $25 million to the bankruptcy court upon the conclusion of discussions with Iridium creditors. The ISLLC offer is significant in that it is the first to win the blessing of Iridium, Motorola, Chase Manhattan Bank (the agent for the secured creditors) and the creditors committee and is therefore believed to offer the first real hope for Iridium's emergence since the failed McCaw bid earlier this year. The ISLLC offer, which remains to be approved by the court, consists of $6.5 million in cash at closing, $18.5 million in senior unsecured convertible debt securities, and 5% equity in ISLLC. The agreement also provides for the operation of the ISLLC system by Boeing. Motorola—which has reportedly negotiated with ISLLC since late July—has held off deorbiting plans pending completion of a deal and was provided with a $200,000 deposit by ISLLC on October 18. A court hearing on the proposal is scheduled for November 8.

Meanwhile, prospects did not appear as hopeful for Globalstar, as the release of lackluster third-quarter earnings—and reports that lead investor Loral would refrain from making further investments in the Globalstar system—triggered a spectacular 60% tumble in the company's stock price. On Monday, Globalstar Chairman Bernard Schwartz—who is also the chairman of Loral—was quoted as saying that, in view of "unacceptably slow" subscriber growth, Globalstar would shift its focus from individual mobile phone subscribers to military, governmental, and large corporate accounts. Schwartz also disclosed that Loral, a 38% Globalstar shareowner, would not continue to commit funds to the $4.3 billion venture beyond May 2001. Notwithstanding the bleak picture, Schwartz emphasized that the company still "has enough time to build momentum."

SBC SEEKS LONG DISTANCE ENTRY IN KANSAS AND OKLAHOMA, 
AS DOJ CRITICIZES VERIZON'S MASSACHUSETTS REQUEST

Late last week, Baby Bell SBC Communications officially laid out plans to provide in-region long distance services in two additional states, as it filed a Section 271 application with the FCC for the states of Kansas and Oklahoma. Earlier this year, SBC became the second Baby Bell to win authority to provide long distance service within its local exchange region, as the FCC granted the company's request for the state of Texas. Declaring that competitive local exchange carriers (CLECs) in Kansas and Oklahoma have "essentially the same" operational support systems, interconnection arrangements, and performance measurement requirements that are available to CLECs in Texas, SBC said that it was qualified under Section 271 of the Telecom Act to provide long distance services, noting that it had won regulatory support in both states toward that goal. The Commission is required to act upon the request by January 24. Charging that state authorities had opted to rely upon SBC's Texas data instead of conducting their own analysis of SBC's operations, Sprint questioned the endorsements of Kansas and Oklahoma state regulators as bearing "Texas-sized rubber stamps." Meanwhile, the Department of Justice (DOJ) criticized Verizon's pending Section 271 request for Massachusetts, informing the FCC that Verizon had failed in providing competitors with sufficient access to digital subscriber lines in that state. The DOJ—which
stopped short of recommending dismissal of the application--raised its concerns in comments that are required to be filed with the FCC as part of the Section 271 approval process; the FCC is scheduled to act upon Verizon's request next month. Noting that Massachusetts regulators had conducted an "exhaustive" 16-month review of its petition, Verizon said it was "confident the FCC will support" the application.

**WORLDCOM ANNOUNCES RESTRUCTURING**

On the heels of a similar announcement last week by AT&T, WorldCom unveiled plans for its own restructuring that involves the separation of its consumer and residential long distance business into a separate unit that will have its own tracking stock. The new stock, to bear the "MCI" name, will encompass WorldCom's slow-growth consumer long distance, wholesale, and Internet dial-up businesses; observers note that the operations covered by the new tracking stock generated annual revenues of $12 billion and are estimated to be worth between $10 and $15 billion. As in the case with AT&T, sources indicate that an impetus for WorldCom's move is to enable the company to focus its efforts on the provision of data, voice, video and Internet services to corporate customers. WorldCom aims to complete the restructuring early next year.

**BANKRUPTCY JUDGE APPROVES PAGENET-ARCH MERGER**

Ending a year-long saga, a judge for the U.S. Bankruptcy Court in Delaware approved plans by Arch Communications, Inc. to acquire Paging Network, Inc. (PageNet), the U.S. paging market leader that is seeking to reorganize under Chapter 11. Confirming the companies' plan for reorganization, the court action is expected to lead to the consummation of the transaction early this month. Arch--a leading two-way Internet messaging and mobile services provider with operations in all 50 U.S. states--and PageNet announced merger plans in November 1999. Under the plan approved by the court, PageNet noteholders will receive 84.9 million shares of Arch stock, plus a 60.5% interest in PageNet wireless solutions subsidiary Vast Solutions, while holders of PageNet common stock will receive five million Arch shares, plus a 20% stake in Vast. Arch will acquire the remaining interest in Vast. Upon closing, PageNet will emerge officially from bankruptcy as a wholly-owned Arch subsidiary. A competing bid by Metrcall, a rival paging provider, for PageNet was dismissed by the court.

**VIACOM, INFINITY REVISE STOCK DEAL**

Pointing to the recent decline of media and entertainment stocks, Viacom revised the terms of its stock purchase agreement with radio broadcasting giant Infinity, through which Viacom proposes to acquire the remaining 36% interest in Infinity that it does not already own. With 166 radio stations in its fold, Infinity is the number one radio broadcaster in the U.S. in terms of revenue, but ranks second to Clear Channel with respect to the number of stations held. As announced in August, the deal would have provided Infinity stockholders with 0.564 shares of Viacom Class B stock for every Infinity Class A share held. The revised agreement, which reduces the total value of the transaction from $15.17 billion to $12.8 billion, calls for the exchange of 0.592 shares of Viacom stock for every Infinity share, thus valuing Infinity at $33.67 per share. Notwithstanding market conditions that led to the renegotiation of the deal, Infinity CEO Mel Karmazin asserted that Infinity is "performing at record levels."
CABLE & WIRELESS PLANS $1.4 BILLION JAPANESE FIBER NETWORK

Declaring that "we intend on having significant market share" in Japan, Cable & Wireless (C&W) of Great Britain announced plans to pay $1.4 billion over the next five years to construct a new fiber optic network that will serve 80 cities throughout Japan. Sources note that C&W's investment represents one of the largest yet by a foreign company within Japan; the British firm will compete against WorldCom and Level 3 Communications of the U.S., which are also building cable infrastructure in Japan. The project will encompass the construction of a national fiber optic backbone, a network of "loops" connecting office sites in Tokyo and Osaka, and the expansion of C&W's existing data center by threefold. Proclaiming that the announcement "reinforces the importance of Japan, C&W predicted that, "using [a mixture of] technologies and working with local Japanese partners, [C&W] will be able to accelerate dramatically the rollout of its global IP and data products to Japan's business market."

NTT, IBM FORGE $15 BILLION COMPUTER SERVICE DEAL

In a development that is expected to bring NTT valuable exposure to technology needed to assist the Japanese phone giant's push into the Internet services sector, NTT forged a U.S. $15 billion agreement with IBM on Tuesday that provides computer outsourcing services to the NTT group. Representing IBM's largest Asian outsourcing deal to date, the accord, to run ten years, calls for IBM's provision of outsourcing services to NTT through NTT's Communicationware Corp. (Commware); in turn, IBM will receive the support of Commware staff in securing computer-services contracts with other Japanese customers. The companies expect to begin implementing the arrangement next month.

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