

Jesse Newbold v. Craig McCaw et al.

COURT: Delaware Court of Chancery
CASE NUMBER: 2022-0439-LWW
CASE LEADERS: Jeroen van Kwawegen, Gregory V. Varallo
CASE TEAM: Thomas James, Mae Oberste, Daniel Meyer

On May 20, 2022, BLB&G filed a stockholder complaint in the Delaware Court of Chancery on behalf of plaintiff Jesse Newbold and similarly situated current and former stockholders of Astra Space, Inc., f/k/a Holicity, Inc. (“Holicity”), alleging breaches of fiduciary duty against the board of directors (the “Board”) and controller of Holicity (a special purpose acquisition company or “SPAC” formed by defendant Craig McCaw). You can find the complaint [here](#) or under the **Case Documents** header on this page.

This stockholder class action challenges Holicity’s June 2021 acquisition of Astra Space, Inc. (“Astra Space”), a satellite launch services company. At the time of the acquisition, Astra Space’s untested business plan was to use small rockets to deliver payloads of up to 300kg at a near-daily pace.

Our investigation revealed that the acquisition, like many cases involving de-SPAC transactions, suffered from conflicts endemic to the SPAC structure. Notably, McCaw and his affiliates acquired so-called “founder shares” in Holicity for a nominal price, which shares would convert to 20% of the post-closing entity upon consummation of a de-SPAC transaction. Absent a de-SPAC transaction, the founder shares would expire worthless. By contrast, public stockholders had the right to redeem their Holicity shares for \$10/share or covert their Holicity shares into the post-closing entity. This dynamic incentivized McCaw and his affiliates—including Holicity directors whom McCaw compensated with founder shares—to consummate any acquisition, even a value destructive acquisition, for reap a potential windfall from their founder share holdings. Our investigation also revealed that the acquisition arose from an unfair process. Among other things, Holicity fiduciaries and their representatives did not conduct the necessary diligence to evaluate Astra Space’s business plans or potential value and never received a fairness opinion.

Defendants disseminated a false and misleading proxy statement designed to minimize the number of redemptions and ensure the acquisition would close. Public stockholders were unable to make a fully informed decision whether to redeem their shares given deficient proxy disclosures. Notably, the Proxy (1) failed to disclose that Astra Space had materially changed its payload goals and (2) failed to update the financial projections provided to stockholders to account for the change in payload goals. These deficient disclosures interfered with Holicity shareholders’ right to redeem their shares for \$10/share in cash. As the market later discovered, the acquisition was a bad deal for stockholders, and Astra Space’s stock price plummeted.

On July 21, 2023, the Delaware Court of Chancery denied Defendants’ motion to dismiss. You can find the transcript decision [here](#) or under the **Case Documents** header on this page. Among other things, the Court found that it was reasonably conceivable that (1) “the directors painted an overly rosy picture of Astra’s development forecast -- despite having information to the contrary or utterly failing to do diligence that would allow it to obtain that information” and (2) “the board breached its fiduciary duties by failing to tell stockholders about Astra’s true prospects” such that “defendants breached their fiduciary duties by impairing public stockholders’ redemption rights.”

On April 22, 2024, the parties to the Action entered into the Stipulation and Agreement of Settlement, Compromise, and Release (the “Stipulation”) setting forth the terms and conditions of the settlement of the Action for \$16,500,000 in cash (the “Settlement”). You can find the Stipulation under the **Case Documents** header on this page.

On July 30, 2024, the Court held a hearing to consider approval of the Settlement and related matters. Following the hearing, the Court entered a Final Order and Judgment (the “Final Order”) approving the Settlement, approving the Plan of Allocation for the proceeds of the Settlement, and awarding attorney's fees and litigation expenses to Plaintiff's Counsel. You can find the Final Order under the **Case Documents** header on this page.

If you are a member of the Settlement Class, you are subject to the Settlement. The non-opt-out Settlement Class certified by the Court consists of:

All holders of Holicity Inc. (“Holicity”) Class A common stock (excluding, for the avoidance of doubt, shares of Holicity Class B common stock that converted into Holicity Class A common stock solely in connection with the Merger), whether beneficial or of record, together with the heirs, successors in interest, transferees, and assignees of all such foregoing holders, as of the effective time of the acquisition of legacy Astra Space, Inc. (“Legacy Astra”) by Holicity on June 30, 2021 (the “Effective Time”), but excluding (i) Defendants Craig McCaw, Cathleen A. Massey, Wayne Perry, R. Gerard Salemme, Dennis Weibling, and Randy Russell (collectively, the “Individual Defendants”); Pendrell Corporation (“Pendrell”); and X-icity Holdings Corporation f/k/a Pendrell Holicity Holdings Corporation (“X-icity,” and together with the Individual Defendants and Pendrell, “Defendants”); (ii) any person who was an officer or director of Holicity, Astra Space, Inc., Legacy Astra, Pendrell, or X-icity as of the Effective Time; (iii) the immediate family members of any of the foregoing; (iv) any trusts, estates, entities, or accounts that held Holicity Class A common stock for the benefit of any of the foregoing; and (v) the legal representatives, heirs, successors-in-interest, successors, transferees, and assigns of the foregoing.

The Settlement Administrator is currently working to finalize the administration of the Settlement. Once this process is complete, Plaintiff's Counsel will submit a motion with the Court for a Class Distribution Order. Please be aware that this process may take several weeks.

More information about the Settlement is available at www.holicitystockholderslitigation.com.

Case Documents

- Notice of (I) Pendency of Class Action and Proposed Settlement; (II) Settlement Hearing; and (III) Motion for Attorneys' Fees and Litigation Expenses (“Notice”)
- July 30, 2024 - Final Order and Judgment
- April 22, 2024 - Stipulation and Agreement of Settlement, Compromise, and Release
- July 21, 2023 - Telephonic Rulings of the Court on Defendants' Motion to Dismiss the Verified Class Action Complaint
- May 25, 2022 - Class Action Complaint