LORAL SPACE & COMMUNICATIONS LTD

FORM 10-K
(Annual Report)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MARCH 31, 1996

Commission file number 1-14180

LORAL SPACE & COMMUNICATIONS LTD.

600 Third Avenue New York, New York 10016 Telephone: (212) 697-1105

Jurisdiction of incorporation: Bermuda

IRS identification number: 13-3867424

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.01 par value......................................	New York Stock Exchange

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or such shorter period. The registrant has not been subject to such filing requirements for the past 90 days.

No disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained herein, and will not be contained, to the best of registrant's knowledge, in information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

At May 31, 1996, 183,592,308 common shares were outstanding, and the aggregate market value of such shares (based upon the closing price on the New York Stock Exchange) held by non-affiliates of the registrant was approximately $2,894,000,000.

PART I

ITEM 1. BUSINESS

THE COMPANY

Loral Space & Communications Ltd. ("Loral SpaceCom" or the "Company") manages and is the largest equity owner of both Globalstar, L.P. ("Globalstar") and Space Systems/Loral, Inc. ("SS/L") (together the "Operating Affiliates"). The Company will also act as a Globalstar service provider in Canada, Brazil and Mexico, and is evaluating additional satellite-based service opportunities. Loral SpaceCom was formed to effectuate the distribution of Loral Corporation's ("Loral") space and telecommunications businesses (the "Distribution") to shareholders of Loral and holders of options to purchase Loral common stock pursuant to a merger agreement (the "Merger") dated January 7, 1996 between Loral and Lockheed Martin Corporation ("Lockheed Martin").

Globalstar and SS/L have established strategic alliances with world-class telecommunications service providers and equipment manufacturers and with leading aerospace companies. In addition, the Company has established a relationship with Lockheed Martin through which the Company and its Operating Affiliates will have certain rights to use intellectual property and access to research and development, technical consulting and support services.

The Company, in partnership with established international telecommunications companies, as well as local wireless or telephone companies, will act as a Globalstar service provider in several key territories, including Canada, Brazil and Mexico. The Company, together with QUALCOMM Incorporated ("Qualcomm"), also has the exclusive right to provide in-flight phone service using Globalstar in the United States.

The Company also intends to pursue additional satellite-based communications services opportunities, including (i) CyberStar, a proposed high-speed satellite-delivered communications system designed to provide users with communications services such as desktop video-conferencing, high-data rate computer networking and data transmission; (ii) domestic and international direct broadcast services; and (iii) telecommunications satellites for voice telephony, video teleconferencing, transmission to television networks and cable head-ends and remote news and sports feeds.

The Distribution of approximately 183.6 million shares of Loral SpaceCom common stock was made on April 23, 1996 (the "Distribution Date"). In connection with the Distribution, Lockheed Martin contributed $612 million in cash to the Company. Of the amount contributed, $344 million represented the purchase of a 20% fully-diluted equity interest in the Company in the form of Loral SpaceCom Series A Convertible Preferred Stock. Such stock is subject to certain voting limitations, restrictions on transfer and standstill provisions. The Company has invested its $612 million in marketable securities pending investment in the Company's satellite telecommunications programs and opportunities. The Company also holds $102.5 million principal amount of Globalstar Telecommunications Limited's ("GTL") 6 1/2% Convertible Preferred Equivalent Obligations and a minority non-controlling equity investment in K&F Industries, Inc. ("K&F").

GLOBALSTAR

Globalstar is building and preparing to launch and operate a worldwide, low-earth orbit ("LEO") satellite-based digital telecommunications system (the "Globalstar(TM) System"). The Globalstar System is designed to enable local service providers to offer low-cost, high quality wireless voice telephony and data services in virtually every populated area of the world. The Globalstar System's worldwide coverage is designed to enable its service providers to extend modern telecommunications services to people who currently lack basic telephone service and to enhance wireless telecommunications in areas underserved or not served by existing or future cellular systems, providing a telecommunications solution in parts of the world where the build-out of terrestrial systems cannot be economically justified.

The Company owns, directly and indirectly, 33.7% of Globalstar's outstanding equity and has overall management responsibility for the design, construction, deployment and operation of the Globalstar System. A

portion of the Company's interest in Globalstar is held through GTL, a Bermuda company traded on the Nasdaq National Market.

Globalstar users will make and receive calls through a variety of Globalstar phones, including hand-held and vehicle-mounted units similar to today's cellular telephones, fixed telephones similar either to phone booths or ordinary wireline telephones, and data terminals and facsimile machines (collectively, the "Globalstar Phones"). Dual-mode Globalstar Phones will provide access to both the Globalstar System and the subscriber's land-based cellular service. Each Globalstar Phone will communicate through one or more satellites to a local Globalstar service provider's interconnection point (known as a gateway) which will, in turn, connect into existing telecommunications networks.

Globalstar is on schedule to begin launching satellites in the second half of 1997, to commence commercial operations in the second half of 1998 (the "In-Service Date") and to have its full constellation of 48 satellites, plus eight in-orbit spare satellites, launched by the end of 1998 (the "Full Constellation Date"). Significant regulatory and licensing milestones have been achieved for the Globalstar System, including allocation of required frequencies by the Federal Communications Commission ("FCC") and the 1995 World Radiocommunication Conference ("WRC '95"). To date, Globalstar has raised or received commitments for approximately $1.4 billion in equity, debt and vendor financing, representing over 75% of the total external financing expected to be required to complete the system and to achieve worldwide operations. Globalstar intends to raise the balance of its external financing needs in the capital markets and may also seek financing support from its strategic partners.

Full satellite critical design review has been successfully completed, manufacturing of long-lead-time components of the Globalstar satellites has commenced, engineering models are under construction and the non-recurring design phase of the satellite contract is close to completion. Definitive agreements have been reached with three launch providers for the launch of the full Globalstar satellite constellation. These agreements provide for a variety of launch options, giving Globalstar considerable launch flexibility.

Internationally, Globalstar's partners have been seeking alliances in their assigned territories with service providers and have entered into such agreements in certain territories. Globalstar believes these relationships with in-country service providers may facilitate the granting of local regulatory approval for operation of the Globalstar System and provide local marketing and technical expertise.

The Globalstar System has been designed to address the substantial and growing demand for telecommunications services worldwide, particularly in developing countries. More than 3 billion people today live without residential telephone service, many of them in rural areas where the cost of installing wireline service is prohibitively high. Moreover, even where telephone infrastructure is available in developing countries, outdated equipment often leads to unreliable local service and limited international access. The number of worldwide fixed phone lines has increased from 473 million to 647 million since 1988 and is projected to increase to one billion by 2002. Nonetheless, since 1988, waiting lists for fixed service have increased from 36 million to 46 million, resulting in an average waiting time before installation of approximately one and a half years. Similarly, the cellular market has grown from 4 million worldwide subscribers in 1988 to an estimated 87 million in 1995 and is projected to increase to 334 million by 2001. At that time, it is projected that only 40% of the world's population will live in areas with cellular coverage. The remaining 60% of the world population will have access to wireless telephone service principally through satellite-based systems like the Globalstar System. Globalstar's business plan requires penetration of only a small fraction of these potential markets to achieve its objectives.

The Globalstar System has been designed with attributes which the Company believes compare favorably to other proposed global mobile satellite service systems including: (i) Globalstar's unique combination of code division multiple access ("CDMA") technology and path diversity through multiple satellite coverage will reduce call interruptions and signal blockage from obstructions and will use satellite power more efficiently; (ii) a proven space segment design without complex intersatellite links or on-board call processing and a ground segment with flexible, low-cost gateways and competitively priced Globalstar Phones; (iii) lower average wholesale prices than other proposed mobile satellite service ("MSS") systems; and (iv) gateways installed in most major countries, minimizing tail charges (i.e. amounts charged by carriers other than the

Globalstar service provider for connecting a Globalstar call through its network), resulting in low costs for domestic and regional calls, which will account for the vast majority of Globalstar's anticipated usage.

Globalstar is a development stage company and has no operating history. It has incurred net losses from inception and expects such losses to continue until commercial service operations have commenced. Globalstar will require expenditures of significant funds for development, construction, testing and deployment before commercialization. Globalstar does not expect to commence operations before 1998 or to achieve positive cash flow before 1999. There can be no assurance that Globalstar will achieve its objectives by the target dates.

In March and April, 1996, GTL sold a total of $310,000,000 of its 6 1/2% Convertible Preferred Equivalent Obligations due 2006 in a Rule 144A offering, of which the Company purchased $102,500,000 principal amount. These securities are convertible into GTL common stock at any time after 60 days from the date of original issuance and prior to maturity at $65.00 per share. GTL utilized the proceeds of this offering to purchase Redeemable Preferred Partnership Interests in Globalstar, the terms of which are generally similar to those of the securities issued in the offering, and Globalstar will use such proceeds for the design, construction and deployment of the Globalstar System. On June 21, 1996, GTL filed a registration statement on Form S-3 to register its 6 1/2% Convertible Preferred Equivalent Obligations and the shares of GTL common stock issuable upon the conversion thereof.

THE GLOBALSTAR SYSTEM

The Globalstar System is comprised of the Space Segment, consisting of 48 satellites and eight in-orbit spare satellites, and the Ground Segment consisting of two Satellite Operations Control Centers ("SOCCs") and two Ground Operations Control Centers ("GOCCs"), Globalstar gateways in each region served, and mobile and fixed Globalstar Phones. Globalstar will own and operate the satellite constellation, the SOCCs and the GOCCs, as well as one gateway; the remaining elements of the system will be owned by Globalstar's service providers and their subscribers. The descriptions of the Globalstar System are based upon current design and are subject to modification in light of future technical and regulatory developments.

Globalstar's most important service will be voice telephony service, which Globalstar expects to offer through telephone booth-like installations and other fixed telephones located in areas without any landline or cellular telephone coverage, and through hand-held and vehicle-mounted units, similar to existing cellular telephones. Globalstar is also expected to offer paging, facsimile and messaging services and position location capabilities, which may be integrated with its voice services or marketed separately, as well as environmental and asset monitoring from remote locations and other forms of data transmission.

VOICE SERVICES

The majority of the world's population does not have ready access to any of the basic telephone services that are available to most residents of developed nations. Public installations of one or more Globalstar Phones, configured as telephone booths, powered by local generators or solar panels and connected to a directional antenna aimed at the satellites overhead, would be important resources for remote villages currently lacking basic telephone service. Government officials, among other individuals, as well as commercial enterprises in remote areas such as mining and logging operations, are expected to utilize fixed Globalstar Phones which will operate like landline telephones, but will be connected to a directional Globalstar antenna. Directional antennae also provide for more efficient use of the system's capacity.

In certain regions, land-based cellular systems cannot be justified economically because of their population density or geographic characteristics. As a satellite-based system with worldwide coverage, Globalstar can efficiently offer both hand-held and vehicle-mounted mobile service in these areas through its single-mode mobile Globalstar Phones. These units are expected to be similar in size, function and cost to today's full-featured cellular telephones. Unlike any cellular telephone in existence today, however, these units are designed to have the ability to operate (both for making and receiving calls) in virtually every inhabited area of the world where Globalstar service is authorized.

The Globalstar mobile telephone will be equipped with an omnidirectional antenna, similar to a cellular telephone antenna. Each mobile telephone is designed to communicate with all satellites in view and will have the built-in signal processing intelligence to constantly seek out and select the strongest signal transmitted from overhead, combining the signals received to ensure maximum service quality. Further, Globalstar Phones will automatically vary their power output as necessary to maintain call quality and connectivity.

Current cellular system subscribers who need a mobile telephone that also works when they travel to areas without compatible cellular coverage (or that have no cellular coverage at all) will be offered Globalstar service through dual-mode handsets and vehicle-mounted units. A dual-mode telephone will also permit the user to access Globalstar service when cellular access is temporarily blocked by interference, terrain or over-capacity. Like Globalstar's single-mode mobile telephones, dual-mode telephones are designed to enable the user to make and receive calls through a unique access number anywhere in the world where service is authorized.

Dual-mode Globalstar Phones can be programmed by the service provider to automatically utilize the chosen land-based cellular service whenever it is available and to otherwise process the call through Globalstar; they can also be programmed for manual selection between Globalstar and the land-based cellular system. Dual-mode Globalstar Phones are being developed for the most widely-based conventional cellular modulation. The dual-mode pairs are expected to include: Globalstar/CDMA, Globalstar/Advanced Mobile Phone Systems (AMPS) and Globalstar/Global System for Mobile Communications (GSM).

Based on terrestrial simulations of the Globalstar System, Globalstar expects that its digital voice services will have a clarity and quality better than those of analog land-based cellular systems currently in use. Moreover, the system has been designed to minimize call interruptions ("dropped calls") resulting from movements on the part of the user or the satellites. Nonetheless, obstacles such as buildings, trees or mountainous terrain may degrade service quality, as they would in the case of terrestrial cellular systems, and service may not be available in the core of high-rise buildings. Globalstar is expected to offer the full range of voice services provided by modern land-based telephone networks, including options such as call forwarding, conferencing, call waiting, call transfer and reverse charging (collect calls). Globalstar's voice services will be digital in nature and therefore difficult for unauthorized listeners to intercept and decode and as a result will be more secure than those offered by analog systems such as existing cellular telephones.

By planning for volume production and utilizing commercially available off-the-shelf components where possible, Globalstar expects that its Globalstar Phones will be priced comparably to current state-of-the-art digital cellular telephones. Qualcomm has agreed to design and manufacture a number of versions of Globalstar Phones. It has recently granted a license to Orbitel Mobile Communications Ltd., an affiliate of L.M. Ericsson, to manufacture Globalstar Phones and has also agreed to license at commercially reasonable royalty rates at least two other qualified Globalstar Phone manufacturers.

OTHER SERVICES

Messaging and Paging Services. In addition to supporting voice services, the Globalstar System is also expected to function as a worldwide paging and alphanumeric messaging service. Hand-held or vehicle-mounted Globalstar Phones are currently being designed with a built-in paging and messaging feature that allows the user to receive a page or a short alphanumeric message while the unit is in a very-low-power "quiet listening only" mode. Separate Globalstar messaging and paging units may also be developed by Globalstar or by third party vendors. The Globalstar System can readily support these functions without taxing system resources since, as compared with voice services, messages and pages have a relatively low data content and do not require instantaneous, two-way transmission.

Remote Monitoring. Globalstar data terminals integrated with automatic sensing equipment of various kinds can provide a continuous stream of valuable information concerning natural events such as weather conditions, seismic shifts and forest fires, as well as the condition of remote assets, such as oil and gas pipelines and electric utility transmission lines.

Facsimile and Other Data Services. The Globalstar System is expected to support fax traffic, as well as transmissions of digital computer data.

Position Location. Frequent, accurate readings of position location for large numbers of vehicles is critical information for the efficient management of fleets of trucks and railcars. Qualcomm's OmniTRACS system, which relays position location information to a central location and offers messaging capabilities, will be offered to Globalstar service providers to address this need.

GLOBALSTAR SYSTEM CAPACITY

The estimated capacity of the Globalstar System is anticipated to be in the range of approximately 800 million to 1 billion call minutes per month assuming equal fixed and mobile usage. However, Globalstar's total effective system capacity will depend on a number of variables. The number of call minutes per month the system can support will depend primarily on (i) the total bandwidth available to CDMA MSS systems, (ii) the number of systems sharing that bandwidth, (iii) the total number of subscribers, (iv) the type of Globalstar Phones (fixed or mobile) they use and (v) the level of average system availability required. Capacity will also depend upon a number of other variables, including (i) the peak hour system utilization pattern, (ii) average call length and (iii) the distribution of Globalstar Phones in use over the surface of the Earth.

COMPETITION

Competition in the telecommunications industry is intense, fueled by rapid and continuous technological advances and alliances between industry participants seeking to implement such advances on an international scale. Although no present participant is currently providing the same global personal telecommunications service to be provided by Globalstar, it is anticipated that one or more additional competing MSS systems will be launched and that the success, or anticipated success, of Globalstar and its direct competitors could attract other entrants. Although not anticipated, if any of Globalstar's competitors succeed in marketing and deploying their systems substantially earlier than Globalstar, Globalstar's ability to compete in areas served by such competitors may be adversely affected.

Globalstar's most direct competitors are: the two other FCC-licensed MSS applicants, Motorola, Inc.'s ("Motorola") Iridium system and TRW, Inc.'s ("TRW") Odyssey system; and I-CO Global Communication's ICO system. ICO was not an applicant or a licensee before the FCC, and is seeking to operate in a different frequency band not available for use by MSS systems. A number of other satellite-based telecommunications systems have been proposed using geosynchronous satellites. Because some of these proposed systems involve relatively simple ground control requirements and are expected to deploy no more than two satellites, they may succeed in deploying and marketing their systems before Globalstar. In addition, coordination of standards among regional geostationary systems could enable these systems to provide worldwide service to their subscriber base, thereby increasing the competition to Globalstar.

It is expected that as land-based telecommunications service expands to regions currently not served by wireline or cellular services, demand for Globalstar service in those regions may be reduced. If such systems are constructed at a more rapid rate than that anticipated by Globalstar, the demand for Globalstar service may be reduced at rates higher than those assumed by Globalstar. Globalstar may also face competition in the future from companies using new technologies and new satellite systems. New technology could render Globalstar obsolete or less competitive by satisfying consumer demand in alternative ways, or through the introduction of incompatible telecommunications standards. A number of these new technologies, even if they are not ultimately successful, could have an adverse effect on Globalstar as a result of their initial marketing efforts.

REGULATION

United States FCC Regulation. On January 31, 1995, the FCC authorized the construction, launch and operation of the Globalstar System and assigned bands of the radio frequency spectrum for the user links (the "FCC License"). This license is currently held by L/Q Licensee, Inc. ("L/Q Licensee"), a subsidiary of the Company which has agreed to use the FCC License exclusively for the benefit of Globalstar. The FCC is the

United States agency with jurisdiction over commercial uses of the radio spectrum. All commercial MSS systems such as Globalstar must obtain an authorization from the FCC to construct and launch their satellites and to operate the satellites to provide MSS services in assigned spectrum segments in the United States. The FCC may also adopt from time to time rules applicable to MSS systems, which may impose constraints on the operation of Globalstar satellites, subscriber terminals and/or gateway earth stations.

The Globalstar System requires regulatory authorization for two pairs of frequencies: user links (from the user to the satellites, and vice versa) and feeder links (from the gateways to the satellites, and vice versa). The FCC License grants authority to construct, launch and operate the Globalstar System with user links in the 1 and 2 GHz bands, consistent with the United States band plan for MSS Above 1 GHz Systems. At the time it granted the FCC License in January of 1995, the FCC deferred action on feeder link assignments until after the WRC '95 (which, in October of that year, allocated such frequencies internationally), but granted authority to construct the system at Globalstar's own risk using the feeder link bands originally requested. L/Q Licensee has applied to the FCC for feeder links in the 5 GHz and 7 GHz bands, consistent with the international allocation for non-geostationery MSS feeder links adopted at WRC '95, and has filed a request for an appropriate modification of its interim construction authority.

The authorization granted by the FCC to LQP for Globalstar requires that construction, launch and operation of the system must be accomplished in accordance with the technical specifications set forth in the Globalstar FCC application, as amended, and consistent with the FCC's rules unless specifically waived. During the process of constructing the Globalstar System, there may be certain modifications to the design set forth in the application on file with the FCC which may require filing an application to modify the authorization, such as the application for feeder link assignments. There can be no assurance that the FCC will grant these requests or do so in a timely manner. Denial of such requests or delay in grant of such requests could adversely affect the performance of the Globalstar System or result in schedule delays or cost increases. In addition, use and operation of Globalstar's feeder and user links are subject to FCC regulations regarding interference protection and coordination with other systems which may have an adverse effect on the usefuless of such frequencies.

LQP's MSS application was one of six considered concurrently by the FCC. On January 31, 1995, Motorola and TRW also were granted FCC licenses for MSS above 1 GHz systems. The applications of three other applicants were deferred and these three applicants were given until January 1996 to establish that they are financially qualified to receive an MSS license. In January 1996, at the request of two of the deferred applicants, the FCC granted an extension of the deadline for demonstrating financial qualification.

The FCC License only authorizes the construction, launch and operation of the Globalstar System's satellite constellation. Separate authorizations must be obtained from the FCC for operation of gateways and Globalstar Phones in the United States. Globalstar's authorized service provider, AirTouch Communications ("AirTouch"), Globalstar's service provider in the United States, will apply for the required regulatory authorizations for gateways and Globalstar Phones, and the manufacturer will apply for equipment authorization for Globalstar Phones. Failure to obtain, or delay in obtaining, such licenses would adversely affect the implementation of the Globalstar System. Similar procedures are expected to apply internationally.

Globalstar proposes to operate on an international basis, but the FCC License only authorizes construction and launch of the system for operation in the United States. Even though the Globalstar System is licensed to operate in the United States by the FCC, in order to provide MSS service in other countries, Globalstar or its service providers must obtain the required regulatory authorizations in those countries. There can be no assurance that the required regulatory authorizations will be obtained in any other country in which Globalstar proposes to operate, or that they will be obtained in a timely manner, or that, if granted, they will authorize MSS service on the same terms as the U.S. license. Failure or delay in obtaining licenses for the Globalstar System in other countries or grant of licenses on substantially different terms and conditions would have an adverse effect on Globalstar.

In May 1996, the FCC initiated a notice-and-comment rulemaking to adopt rules governing procedures to authorize service in the United States by satellite systems licensed by foreign countries. If a foreign satellite

system were authorized to operate in the United States on frequencies assigned to Globalstar, additional coordination obligations may be required.

In its order (the "Order") adopting rules and policies for MSS above 1 GHz, the FCC stated that an MSS above 1 GHz license would impose implementation milestones on licensed systems. If these milestones are not met, the FCC has stated that the license would be deemed null and void. Globalstar's current estimated implementation schedule falls within the milestones adopted by the FCC. Moreover, the milestone schedule will not become effective until Globalstar is granted an unconditional authorization which includes an assignment of feeder link frequencies. Delays in construction, launch or commencing operations of the Globalstar System could result in loss of the FCC License. The FCC License will be effective for 10 years from the date on which the licensee certifies to the FCC that its initial satellite has been successfully placed into orbit and that the operations of that satellite conform to the terms and conditions of its MSS license. While a licensee may apply to replace its MSS license to continue operations beyond the initial 10-year license term, there can be no assurance that, if applied for, such a replacement license would be granted.

The rules and policies adopted for MSS above 1 GHz in the Order have been challenged in a judicial appeal and were the subject of petitions for reconsideration at the FCC. On February 15, 1996, the FCC released an order resolving petitions for reconsideration of the Order. Three petitions seeking further reconsideration or clarification of the Order have been filed. Judicial appeals regarding the FCC's decision on the petitions for reconsideration may also be filed. In the event that the FCC were to be judicially required to reconsider its licensing procedures as a result of the pending judicial appeal, or an appeal of the orders on reconsideration, there is a risk that the FCC would reprocess the MSS applicants and adopt a different licensing procedure. Under these circumstances, there can be no assurance that the FCC would not use an auction procedure to award licenses. If the FCC were to use an auction procedure, there can be no assurance that Globalstar or its affiliates would be willing or able to outbid other applicants to obtain a license for the spectrum needed to operate the Globalstar System. In addition, even if Globalstar or its affiliates were successful in obtaining an MSS license in the spectrum auction, the increased cost and expenses incurred in bidding for the license would adversely affect Globalstar.

Applicable statutes and regulations permit a judicial appeal of the grant of the FCC License in order to seek reversal of the FCC's decision to grant the license. Petitions for reconsideration and an application for review of the order granting the FCC License were filed and have been denied. A judicial appeal of the order resolving these petitions and application is possible. There can be no assurance that such appeals will not be filed, or, if filed, that such appeals will not be granted. Furthermore, there can be no assurance that if such appeals are filed, the court will take timely action. If such an appeal were successful, there can be no assurance that on remand the FCC would not decide to deny the application for the Globalstar System, or that on remand the FCC would take action on the application in a timely manner.

UNITED STATES INTERNATIONAL TRAFFIC IN ARMS REGULATIONS

The United States International Traffic in Arms Regulations under the United States Arms Export Control Act authorize the President of the United States to control the export and import of articles and services that can be used in the production of arms. Among other things, these regulations limit the ability to export certain articles and related technical data to certain nations. The scope of these regulations is very broad and extends to certain spacecraft, including certain satellites. Certain information involved in the performance of Globalstar's operations will fall within the scope of these regulations. As a result, Globalstar may have to restrict access to that information.

EXPORT REGULATION

From time to time, Globalstar requires import licenses and general destination export licenses to receive and deliver components of the Globalstar System.

The United States Department of Commerce has imposed restrictions on certain transfer of technology, including rocket technology, to China and certain republics of the former Soviet Union. Because Globalstar's launch strategy contemplates using Chinese and Ukrainian launch providers with launch sites located in China

and Kazakhstan, special export licenses are required to be obtained by SS/L in connection with these launches.

While Globalstar and SS/L have received informal confirmations from various governmental officials that all necessary permits should be forthcoming, and Globalstar has no reason to believe such permits will not be obtained, there can be no assurance that such export licenses will be granted, or, once granted, that the United States will not impose additional restrictions or trade sanctions against China or republics of the former Soviet Union in the future that would adversely affect the planned launches of the Globalstar satellite constellation.

The Export Administration Act and the regulations thereunder control the export and re-export of United States-origin technology and commodities capable of both civilian and military applications (so-called "dual use" items). These regulations may prohibit or limit export and re-export of certain telecommunications equipment and related technology which are not affected by the International Traffic in Arms Regulations by requiring a license from the Department of Commerce before controlled items may be exported or re-exported to certain destinations. Although these regulations should not affect Globalstar's ability to deploy the satellite constellation, the export or re-export of Globalstar Phones, as well as gateways and related equipment and technical data, may be subject to these regulations, if such equipment is manufactured in the United States and then exported or re-exported. These regulations may also affect the export, from one country outside the United States to another, of United States-origin technical data or the direct products of such technical data. As a result, Globalstar may not be able to ensure the unrestricted availability of such equipment or technical data to certain customers and suppliers. The Company does not believe that these regulations will have a material adverse effect on Globalstar's operations.

INTERNATIONAL COORDINATION

The Globalstar System proposes to operate in frequencies which were allocated on an international basis for MSS user links at World Administrative Radio Conference '92 and for MSS feeder links at WRC '95. Globalstar is required to engage in international coordination procedures with other proposed MSS systems under the aegis of the International Telecommunications Union (the "ITU").

Because Globalstar's proposed feeder link bands are allocated on an international basis for low-earth orbit ("LEO") MSS feeder links, foreign LEO MSS systems may also seek to use these bands for MSS feeder links. ICO has filed with the ITU its plans to use the same feeder link spectrum as Globalstar. Globalstar will be required to coordinate the use of its feeder links with ICO and any other foreign system which has similar plans. Both a Russian and a Brazilian low-earth orbit MSS system have filed with the ITU their intention to use the same feeder link spectrum as Globalstar. There can be no assurance that such coordination will not adversely affect the use of these bands by Globalstar.

Pursuant to the Intelsat and Inmarsat treaties, international satellite operators are required to demonstrate that they will not cause economic or technical harm to Inmarsat or Intelsat and to coordinate with Intelsat and Inmarsat under obligations imposed on United States satellite systems by international treaties. Globalstar will engage in technical coordination of its feeder downlinks with Intelsat, which uses the same frequency band for an uplink. Globalstar believes that the proposed provision of competitive MSS service by ICO, in which Inmarsat is a significant investor, may effectively eliminate the requirement to demonstrate lack of economic harm. Globalstar expects such coordination to be successful.

EUROPEAN UNION

European Union competition law proscribes agreements that have the effect of appreciably restricting or distorting competition in the European Union. Globalstar has received an inquiry from the Commission of the European Union requesting information regarding its activities. A violation of European Union competition law could subject Globalstar to fines or enforcement actions that could result in expenses to Globalstar, delay the commencement of Globalstar service in western Europe, and/or depending on the circumstances, adversely affect Globalstar's contractual rights vis-a-vis its European strategic partners. In addition, the Commission has proposed legislation at the European Union level which, if adopted, would give the Commission broad regulatory authority over "satellite PCS" systems such as Globalstar. The Commission's

investigation and proposed legislation are in their preliminary stages, and the Company is unable to predict what effect, if any, the results of such investigation or proposed legislation may have on Globalstar's operations.

REGULATION OF SERVICE PROVIDERS

In order to operate gateway earth stations, including the user uplink frequency, the Globalstar service provider in each country will be required to obtain a license from that country's telecommunications authority. In addition, the Globalstar service provider will need to enter into appropriate interconnection and financial settlement agreements with local and interexchange telecommunications providers. Globalstar intends to use in-country service providers to facilitate the obtaining of such licenses and agreements.

Although many countries have moved to privatize the provision of telecommunications service and to permit competition in the provision of such service, some countries continue to require that all telecommunications service be provided by a government-owned entity. While service providers have been selected, in part, based upon their perceived qualifications to obtain the requisite local approvals, there can be no assurance that they will be successful in doing so. If a service provider does not obtain a license, Globalstar will have the right to substitute another service provider to attempt to obtain such a license, but if no service provider in a territory is successful in obtaining the requisite local authorization, Globalstar service will not be available in such territory. In that event, depending upon geographical and market considerations, Globalstar may or may not have the ability to redirect the system capacity that such territories would have otherwise used to serve territories in which service is authorized.

SPACE SYSTEMS/LORAL, INC.

SS/L is a worldwide leader in the design, manufacture and systems integration of telecommunications, weather and direct broadcast satellites. The Company believes that SS/L's technical expertise, advanced manufacturing and testing facilities and long-term customer relationships have enabled SS/L to compete effectively in the commercial space systems marketplace. The Company has a 32.7% beneficial equity interest in SS/L, and receives a management fee from SS/L ranging from 0.5% to 1% of revenue, as defined. See "Item 13 -- Certain Relationships and Related Transactions."

SPACE SYSTEMS ALLIANCE

In 1991, SS/L entered into a strategic alliance with three major European space systems manufacturers: Aerospatiale Societe Nationale Industrielle ("Aerospatiale"), Alcatel Espace ("Alcatel") and Finmeccanica S.p.A. ("Finmeccanica") (the "Alliance Partners"). In 1992, Daimler-Benz Aerospace AG ("DASA") joined the Alliance Partners. The Alliance Partners hold an aggregate of 49% of the common stock of SS/L. With certain exceptions, SS/L and the Alliance Partners have agreed generally to bid and operate as a team on satellite programs worldwide, to coordinate research and development activities and to share technological resources. SS/L believes that this strategic alliance enhances its technological and manufacturing capabilities and marketing resources, and affords it access to international government and commercial customers more effectively than its U.S.-based competitors.

PROGRAMS

Some of SS/L's current programs include:

Telecommunications

Telstar. This new generation telecommunications satellite to be built for AT&T will provide service to the United States, the Caribbean, Mexico and Southern Canada.

Apstar-IIR. SS/L is building a telecommunications satellite for a consortium comprised of Chinese state-owned companies and commercial firms based in Taiwan, Thailand, Macau and Singapore, that will provide regional and international telecommunications services to the Asia-Pacific region. Once operational, the Apstar-IIR will provide regional voice, video and data services.

Mabuhay. SS/L is currently under contract with the Mabuhay Philippines Satellite Corp. to build the Mabuhay satellite, a telecommunications satellite that will provide commercial telephone, broadcasting and data services in the Philippines and the South China region.

PAS-7 and PAS-8. SS/L has entered into an agreement with PanAmSat for the PAS-7 and PAS-8 spacecraft which will be used for various applications as part of PanAmSat's basic constellation.

Direct Broadcast Satellites (DBS)

SS/L is currently building DBS satellites for MCI/News Corp. and Tempo Satellite, Inc. to serve the U.S. markets and for PanAmSat to serve the Central and South American markets.

Globalstar

SS/L is the prime contractor for the design and manufacture of Globalstar's 56-satellite low-earth orbit constellation.

Weather and Environment

GOES Weather Satellites. SS/L is the prime contractor for NOAA's next generation of advanced weather and environmental GOES satellites. These satellites will provide 24-hour monitoring and measurement of dynamic weather events in real time. The first satellite in the five-member series, GOES-8, was launched in April 1994 and the second, GOES-9 in May 1995.

MTSAT. In February 1995, Japan's Ministry of Transport awarded a contract for the Multifunctional Transport Satellite (MTSAT) to SS/L. This advanced geostationary satellite will provide enhancement of communication and position information to Japan's air traffic capability. MTSAT will also provide weather observation and meteorological data transmission for the region. In addition to its advanced imaging capability, MTSAT is a complete data collection and dissemination system. MTSAT will broadcast processed data and imagery to users through the Asia-Pacific region, including airports, weather forecasting agencies and ships at sea.

International Space Station Alpha

SS/L has contracted with the Rocketdyne Division of Rockwell International to develop flight equipment for International Space Station Alpha's on-board electrical power systems. The program includes the design, development and production of nickel-hydrogen batteries, power control and power conditioning electronics equipment, and consolidated procurement of electronic parts for the entire power system.

Payload Subcontracts

SS/L has leveraged its alliance relationship with Aerospatiale to enter the payload business in support of Aerospatiale's prime contracts from the Eutelsat, Thaicom and Sirius programs.

SS/L has been a subcontrator to NASA, supporting lunar, Mars and deep space programs. Teamed with Aerospatiale, SS/L provided the payload and subsystems for the Arab Satellite Organization ("Arabsat") regional communications and television broadcast system. SS/L also provides components as a subcontractor to other space systems manufacturers for defense and other applications.

CUSTOMERS

Sales to the U.S. government represented 10%, 23% and 23% of revenues from contracts for the years ended March 31, 1996, 1995 and 1994, respectively. Sales to foreign customers, primarily in Asia, represented 27%, 15% and 31% of revenues from contracts for the years ended March 31, 1996, 1995 and 1994, respectively. In 1996, two commercial customers represented 30% and 13% of revenues from contracts. In 1995, four commercial customers represented 23%, 20%, 15% and 13% of revenues from contracts. Two commercial customers represented 35% and 29% of revenues from contracts in 1994.

COMPETITION

Competition in the commercial satellite industry is intense. Among SS/L's significant competitors are Hughes Electronics Corporation ("Hughes"), Lockheed Martin, Matra Marconi and TRW, many of which have significantly greater financial, manufacturing, marketing and technical resources than those of SS/L. To the extent these companies offer products and services that are more sophisticated, cost-effective, efficient or reliable than those now offered or to be offered by SS/L, they could have a material adverse effect on SS/L. Further, SS/L's telecommunications satellites face competition from alternative technologies, including fiber optics cable technology, which could reduce demand for the services of SS/L's customers and thus for SS/L's telecommunications products.

SATELLITE CONTRACTS

SS/L's major contracts fall into two categories: firm fixed-price contracts and cost-plus-award-fee contracts. Under firm fixed-price contracts, work performed and products shipped are paid for at a fixed price without adjustment for actual costs incurred in connection with the contract. Risk of loss due to increased cost, therefore, is borne by SS/L. Under fixed-price contracts requiring work with lead times in excess of six months prior to delivery, SS/L may receive progress payments, generally in an amount equal to between 80% and 95% of monthly costs, or it may receive milestone payments upon the occurrence of certain program achievements. Under a cost-plus-award-fee contract, the contractor recovers its actual costs incurred and receives a fee consisting of a base amount that is fixed at the inception of the contract (the base amount may be zero) and an award amount that is based on the customer's subjective evaluation of the contractor's performance in terms of the criteria stated in the contract.

Many of SS/L's contracts and subcontracts provide that such contracts and subcontracts may be terminated at will by the customer or the prime contractor, respectively. In the event of a termination at will, SS/L is normally entitled to recognize the purchase price for delivered items, reimbursement for allowable costs for work in process and an allowance for profit thereon or adjustment for loss if completion of performance would have resulted in a loss. While SS/L has not experienced material contract terminations in the past, no assurance can be given that such terminations will not occur in the future.

REGULATION

SS/L's business activities are regulated by various agencies and departments of the U.S. government. Operation of commercial communications satellites requires licenses from the FCC and frequently requires the approval of international regulatory authorities as well. Private land remote sensing satellites require a license from the Department of Commerce. Exports of space-related products, services and technical information frequently require licenses from the Department of State or the Department of Commerce. There is no assurance that SS/L will be able to obtain necessary licenses or regulatory approvals. The inability of SS/L to secure any necessary licenses or approvals could have a material adverse effect on its business. In addition, certain of the products or components produced or used by SS/L may become subject to limitations on production or deployment as a result of international agreements or treaties to which the United States is, or may become, a party.

In addition, since the Alliance Partners are owned and controlled by foreign entities, two of which are foreign governments, SS/L is subject to compliance with certain regulations and to government oversight to which it would not be subject if its stockholders were all U.S. citizens. SS/L has established certain procedures to comply with various defense related regulations, to negate the risks of foreign control, ownership and influence, to ensure that it will be able to maintain the security clearances necessary for continued work on classified programs and to protect classified information and export-controlled technical data. Specifically, SS/L and the Alliance Partners have entered into a memorandum of agreement with the DOD with respect to security matters. Pursuant to such agreement, certain protections have been established to control the actions of SS/L and the Alliance Partners, including, among others: (a) policies and practices by SS/L to safeguard classified information and export-controlled technical data; (b) exclusion of the Alliance Partners and their agents and representatives from access to classified information and export-controlled technical data entrusted

to SS/L, except as may be permitted by law; and (c) establishment of a permanent Government Security Committee, composed of seven resident United States citizens who hold (or will obtain) personnel security clearances, which reviews and monitors the adequacy and implementation of SS/L's security procedures to ensure that it maintains policies, practices and procedures adequate to safeguard the classified information and export-controlled technical data entrusted to it.

The memorandum of agreement provides that the Government Security Committee will hold periodic meetings and report annually to the DIS Cognizant Security Office as to the operation of SS/L's security procedures. In addition, the Government Security Committee is charged with monitoring compliance with the International Traffic in Arms Regulations and the Export Administration Regulations. The memorandum of agreement also contemplates that SS/L and the Alliance Partners will create, with the approval of the Department of Defense, formal arrangements to ensure proper record keeping by SS/L and monitoring by the Government Security Committee with regard to visits between SS/L personnel and personnel of the Alliance Partners, who are not directors, officers, employees or resident contractors of SS/L, at a cleared facility or dealing with the disclosure of classified information or export-controlled technical data.

The nominees of the Company on SS/L's Board of Directors have the sole responsibility for the supervision, implementation and performance of: (a) classified work by SS/L under all contracts and agreements with the U.S. government, (b) research programs by SS/L for the U.S. government to the extent that any classified information is utilized or produced therefrom, (c) resolutions of SS/L's Board of Directors under the Defense Industrial Security Program to exclude non-U.S. persons and the Alliance Partners and their representatives from access to classified data and export-controlled technical data in the custody of SS/L and (d) all other United States national security policy matters and matters affecting the safeguarding of classified information.

All of SS/L's major programs and proposed ventures are commercial rather than military or intelligence related, so that classified work is not a material part of SS/L's business.

RESEARCH AND DEVELOPMENT

SS/L's internally-funded research and development expenditures were approximately $11.2 million, $9.5 million and $6.7 million, respectively, for the fiscal years ended March 31, 1996, 1995 and 1994.

BACKLOG

As of March 31, 1996 and 1995, SS/L's funded backlog was approximately $1.2 billion. Backlog consists of aggregate contract values for firm product orders, excluding the portion previously included in operating revenues on the basis of percentage of completion accounting and priced options not awarded. Approximately $902 million of total backlog as of March 31, 1996 is currently scheduled to be performed within the next 12 months.

EXPORT SALES

Export sales, principally to Asia, were $301 million, $98 million and $186 million for the years ended March 31, 1996, 1995 and 1994, respectively.

RAW MATERIALS

SS/L generally obtains the raw materials required for use in satellite construction, such as aluminum, graphite, resins and epoxies, from distributors of such materials and occasionally directly from suppliers. SS/L is not dependent on any one source for supply of such materials and has not in the past, and does not expect in the future to have, difficulty in obtaining such materials.

K&F INDUSTRIES, INC.

K&F, through its wholly owned subsidiary, Aircraft Braking Systems Corporation, is one of the world's leading manufacturers of aircraft wheels, brakes and anti-skid systems for commercial transport, general

aviation and military aircraft. K&F sells its products to virtually all major airframe manufacturers and most commercial airlines and to the United States and certain foreign governments. In addition, K&F through its wholly owned subsidiary, Engineered Fabrics Corporation ("Engineered Fabrics"), is one of the leading worldwide manufacturer of aircraft fuel tanks, supplying approximately 90% of the worldwide general aviation and commercial transport market and nearly one-half of the domestic military market. Engineered Fabrics also manufactures and sells iceguards and specialty coated fabrics used for storage, shipping, environmental and rescue applications for commercial and military uses. Some of K&F's customers include American Airlines, Delta Air Lines, Alitalia, Lufthansa, Swissair, Northwest Airlines, United Airlines and USAir. Its products are also used in a number of military aircraft, including the F-14, F-16, F-18 and the C-130. Backlog at March 31, 1996 and 1995 amounted to approximately $150.5 million and $151.4 million, respectively. Backlog consists of firm orders for K&F's products which have not been shipped. Approximately 84% of total backlog at March 31, 1996 is expected to be shipped during the fiscal year ended March 31, 1997, with the balance expected to be shipped over the subsequent two-year period.

PATENTS AND PROPRIETARY RIGHTS

In connection with the Globalstar System, Globalstar's and SS/L's design and development efforts have yielded five patents issued and 22 patents pending in the United States, as well as one patent issued and 91 patents pending internationally for various aspects of communication satellite system design and implementation of CDMA technology relating to the Globalstar System. Qualcomm has obtained 42 issued patents and 179 patents pending in the United States applicable to Qualcomm's implementation of CDMA. The issued patents cover, among other things, Globalstar's process of combining signals received from multiple satellites to improve the signal received and minimize call fading.

SS/L relies, in part, on patents, trade secrets and know-how to develop and maintain its competitive position. It holds 119 patents in the U.S. and 123 patents abroad and has applications for 39 patents pending in the U.S. and 122 patents pending abroad. SS/L holds patents relating to communications, station keeping, power, control systems, antennae, filters and oscillators, phase arrays and thermal control as well as assembly and inspections technology. The SS/L patents that are currently in force expire between 1996 and 2015.

There can be no assurance that any of the pending patent applications by Globalstar or SS/L will be issued. Moreover, because the U.S. patent application process is confidential, there can be no assurance that third parties, including competitors of Globalstar and SS/L, do not have patents pending that could result in issued patents which Globalstar or SS/L would infringe.

PERSONNEL

As of May 31, 1996, the Company had approximately 50 full-time employees, none of whom is subject to any collective bargaining agreement. The Company's management considers its relations with its employees to be good.

As of March 31, 1996, Globalstar had approximately 100 full-time employees, none of whom is subject to any collective bargaining agreement. Globalstar's management considers its relations with its employees to be good.

As of March 31, 1996, SS/L had approximately 2,400 full-time employees none of whom is subject to any collective bargaining agreement. SS/L's management considers its relations with its employees to be good.

CERTAIN FACTORS THAT MAY EFFECT FUTURE RESULTS

This annual report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and
Section 21E of the Securities Exchange Act of 1934, as amended. In addition, from time to time, the Company or its representatives have made or may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, but are

not limited to, various filings made by the Company with the Securities and Exchange Commission, press releases or oral statements made by or with the approval of an authorized executive officer of the Company. Actual results could differ materially from those projected or suggested in any forward-looking statements as a result of a wide variety of factors and conditions, including, but not limited to, the factors summarized below. These factors and other factors and conditions have been described in the section of the Company's Information Statement, dated April 12, 1996, entitled, "Risk Factors" and other documents the Company files from time to time with the Securities and Exchange Commission including the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and the shareholder is specifically referred to these documents with regard to the factors and conditions that may affect future results.

COMPANY

Conflicts of Interest. Shareholders and partners of the Operating Affiliates, and shareholders of the Company are principal suppliers to, subcontractors for, and customers of or service providers for the Operating Affiliates. In addition, SS/L is the prime contractor for Globalstar's satellite constellation and SS/L and its subcontractors have provided vendor financing to Globalstar in connection therewith. As a result, conflicts of interest may arise with respect to such contracts and arrangements. The Globalstar partnership agreement and the SS/L stockholders agreement provide for certain procedures relating to the approval of agreements entered into by Globalstar and its partners, and by SS/L and its stockholders.

Limited Control over Operating Affiliates. While the Company manages the Operating Affiliates, the Globalstar partnership agreement and the SS/L stockholders agreement limit the ability of the Company to take certain actions without the approval of, in the case of Globalstar, at least one Independent Representative (as defined) to the General Partners' Committee (as defined) or, in the case of SS/L, at least two and in some cases all, of the directors appointed by the Alliance Partners. As a result, the Company may be unable to cause the Operating Affiliates to take actions which the Company might deem to be in its best interests.

Additional Financing Requirements. Although the Company commenced operations with $612 million in cash, the financing requirements of all of the various opportunities it is currently considering, if funded solely by the Company, when combined with the obligations that the Company may incur to fund certain SS/L stockholders puts, may exceed such amount. The extent of such total capital requirements cannot be quantified at this time since many of these opportunities are at an early stage of consideration. The financial requirements to satisfy any SS/L stockholder puts if validly exercised will depend upon the fair market value of SS/L and the decision of such stockholders regarding the exercise of their put rights. In order to fully fund all such projects and to provide for any such contingencies, the Company may need to issue debt or equity securities or engage in other financing activities, which may include offerings of debt or equity securities by its Operating Affiliates. Any such issuance of equity securities by the Operating Affiliates may result in a dilution of the Company's equity interest to the extent the Company does not participate therein. There can be no assurance that such financing will be available on favorable terms or on a timely basis, if at all. A shortfall in meeting such capital needs would prevent completion of some or all of the projects currently being pursued by the Company.

Future FCC Proceedings. The Company has several applications to construct and operate satellite systems pending before the FCC, including its application for CyberStar. There can be no assurance that any of these licenses will be granted. Several competing FCC applicants have filed objections to the financial qualification of Loral in these proceedings, arguing that the current assets of Loral were inadequate to satisfy the FCC financial requirements with respect to all systems, including Globalstar, for which Loral had submitted applications. The Company, which succeeded Loral as the applicant under these applications before the FCC, has current assets substantially less than those of Loral. There can be no assurance that challenges to the Company's financial qualifications may not adversely affect or delay the Company's ability to be granted additional FCC licenses, thus limiting a portion of the Company's future opportunities.

Certain Antitakeover Provisions. The Company's classified Board of Directors, voting provisions with respect to certain business combinations and the Company's rights plan, may have the effect of making more difficult or discouraging an acquisition of the Company deemed undesirable by the Board.

Reliance on Key Personnel. The success of the Company's business will be partially dependent upon the ability of the Company to attract and retain highly qualified technical and management personnel. Except for Mr. Bernard L. Schwartz, the Company's Chairman and Chief Executive Officer, none of the Company's officers has an employment contract with the Company nor does the Company expect to maintain "key man" insurance with respect to any such individuals. The loss of any of these individuals and the subsequent effect on business relationships could have a material adverse effect on the Company's business.

Rights of Shareholders under Bermuda Law. The Company is incorporated under the laws of the Islands of Bermuda. Principles of law relating to such matters as the validity of corporate procedures, the fiduciary duties of the Company's management, directors and controlling shareholders, and the rights of its shareholders, are governed by Bermuda law and the Company's Memorandum of Association and Bye-Laws. Such principles of law may differ from those that would apply if the Company were incorporated in a jurisdiction in the United States. In addition, there is uncertainty as to whether the courts of Bermuda would enforce (i) judgments of United States courts obtained against the Company or its officers and directors resident in foreign countries predicated upon the civil liability provisions of the securities laws of the United States or (ii) in original actions brought in Bermuda, liabilities against the Company or such persons predicated upon the securities laws of the United States or any state.

Tax Considerations. Special U.S. tax rules apply to U.S. taxpayers who own stock in a "passive foreign investment company" (a "PFIC"). Although the Company believes that it will not be a PFIC because it expects through Globalstar, SS/L and other businesses to earn sufficient active business income and to hold sufficient active business assets to avoid PFIC status, there is a risk that it may be a PFIC. In such an event, a U.S. shareholder would be subject at his election either to (i) a current tax on undistributed earnings or (ii) a tax deferral charge on certain distributions and on gains from a sale of shares of the Common Stock (taxed as ordinary income).

Investment Company Act Considerations. The Company believes that it is not an investment company within the meaning of the Investment Company Act of 1940, as amended (the "Investment Company Act") and intends to conduct its business in such a manner as to avoid becoming an investment company. Any determination that the Company were an investment company would have a material adverse effect on the tax status of the Company and its contractual relationships with its affiliates.

GLOBALSTAR

Development Stage Company; Expectation of Continued Losses; Negative Cash Flow. Globalstar is a development stage company and has no operating history. It has incurred net losses from inception and expects such losses to continue until commercial service operations have commenced. Globalstar will require expenditures of significant funds for development, construction, testing and deployment before commercialization. Globalstar does not expect to commence operations before 1998 or to achieve positive cash flow before 1999. There can be no assurance that Globalstar will achieve its objectives by the targeted dates.

Additional Financing Requirements. Globalstar expects to require total capital of approximately $2.2 billion for capital expenditures, development and operating costs of the system through 1998. Globalstar has raised approximately $1.4 billion through March 31, 1996, representing over 75% of the total external financing requirement. Globalstar believes that its current capital base is sufficient to fund its requirements into the first quarter of 1997. Additional funds of $828 million to complete the Globalstar System are expected to be obtained from a combination of sources including over $400 million from projected service provider payments, projected net service revenues from initial operations and anticipated payments from the sale of gateways and Globalstar Phones. There can be no assurance that additional funds required to complete the Globalstar System from external or internal sources will be available at favorable terms or on a timely basis, if at all. Globalstar is presently evaluating a plan to purchase long-lead-time component parts for possible use in constructing 6 to 12 additional satellites. The current estimated additional cost for these components is approximately $75 to $120 million, depending upon the quantity purchased. The plan has two purposes: (i) to enable Globalstar to have on-orbit at least 38 to 44 satellites during 1999, even in the event of launch failures of up to two launches of 12 satellites each, and (ii) to provide ground spares that would be readily available to replenish the satellite constellation in the event of satellite attrition during the first generation or if there are opportunities for increasing capacity. If Globalstar were to experience a launch failure, the long-lead-time

components would be used to build replacement satellites and the cost associated with the construction and launch of such satellites would be reimbursed through insurance.

Sources of Possible Delay and Increased Cost. There may be problems, delays, and expenses encountered by Globalstar, many of which may be beyond Globalstar's control. These may include, but are not limited to, problems related to technical development of the system, testing, regulatory compliance, manufacturing and assembly, the competitive and regulatory environment in which Globalstar will operate, marketing problems and costs and expenses that may exceed current estimates. Delay in the timely design, construction, deployment, commercial operation and achievement of positive cash flow of the Globalstar System could result from a variety of causes, including delays associated with the regulatory process in various jurisdictions, delay in the integration of the Globalstar System into the land-based network, changes in the technical specifications of the Globalstar System due to regulatory developments or otherwise, delays encountered in the construction, integration or testing of the Globalstar System by Globalstar vendors, delayed or unsuccessful launches, delays in financing, insufficient or ineffective service provider marketing efforts, slower-than-anticipated consumer acceptance of Globalstar service and other events beyond Globalstar's control. Substantial delays in any of the foregoing matters would delay Globalstar's achievement of profitable operations.

Worldwide Regulatory Approvals Required to Operate. The operations of the Globalstar System are and will continue to be subject to United States and foreign regulation. In order to operate in the United States and on an international basis, the Globalstar System must be authorized to provide MSS in each of the jurisdictions in which its service providers intend to operate. Even though the Globalstar System has been authorized by the FCC to launch and operate for the purpose of providing MSS in the United States, there can be no assurance that the further regulatory approvals required for worldwide operations will be obtained, or that they will be obtained in a timely manner or in the form necessary to implement Globalstar's proposed operations.

Satellite Launch Risks; Limited Life of Satellites. Satellite launches are subject to significant risks, including damage to or loss of the satellites ("hot failures"). Historically, launch failure ("hot failure") rates on low earth orbit and geostationary satellite launches have been approximately 10%. However, launch failure rates may vary depending on the particular launch vehicle. Globalstar currently anticipates launching satellites in groups of either four satellites or 12 satellites in each launch. Satellite launches of more than eight commercial satellites have not been attempted before. There is no assurance that Globalstar satellite launches will be successful or that its launch failure rate will not exceed the industry average.

A number of factors will affect the useful lives of Globalstar's satellites. Random failure of satellite components could result in partial or total failure of a satellite ("cold failure"). The first-generation satellite constellation (including spares) is designed to operate at full performance for a minimum of 7 1/2 years, after which performance is expected to gradually decline. However, there can be no assurance of the constellation's specific longevity. Globalstar's operating results would be adversely affected in the event the useful life of the satellites is significantly shorter than 7 1/2 years.

Limited Insurance. Globalstar will obtain insurance against launch failure which would cover the cost of relaunch and the replacement cost of lost satellites in the event of hot failures for 56 satellites in its constellation. However, Globalstar may self-insure for hot failures for up to 12 such satellites. Globalstar's contract with SS/L provides for the construction and launch of eight spare satellites to minimize the effect of any launch or orbital failures. Globalstar currently does not intend to purchase insurance to cover any cold failures that may occur once the satellites have been successfully deployed from the launch vehicle. There can be no assurance that additional satellites and launches will not be required. In such an event, in addition to the replacement costs incurred by Globalstar, the date for commencement of full commercial operations may be delayed.

Substantial Leverage. Globalstar has entered into an agreement with a bank syndicate for a $250 million credit facility expiring on December 15, 2000 (the "Globalstar Credit Agreement"). Globalstar also

expects to utilize $310 million of committed vendor financing provided by SS/L and its subcontractors. In March and April, 1996, Globalstar received net proceeds of $300 million from the offering of GTL 6 1/2% Convertible Preferred Equivalent Obligations due March 1, 2006. Significant additional debt is expected to be incurred in the future. As a result, Globalstar will be highly leveraged. Globalstar will be dependent on its cash flow from operations to service this debt. Any significant delay in the commencement of operations will adversely affect Globalstar's ability to service its debt obligations. The Globalstar Credit Agreement and other debt financing that Globalstar may incur in the future may restrict or limit Globalstar's ability to make payments, including distributions to its partners, including the Company, incurring additional indebtedness and entering into certain other transactions. There can be no assurance that Globalstar's leverage and such restrictions will not materially and adversely affect Globalstar's ability to finance its future operations or capital needs or to engage in other business activities.

Competition. Competition in the telecommunications industry is intense, fueled by rapid and continuous technological advances and alliances between industry participants on an international scale. Although no present industry participant is currently providing the same global personal telecommunications service expected to be provided by Globalstar, it is anticipated that one or more additional competing MSS systems will be launched and that the success, or anticipated success, of Globalstar and its competitors could attract other entrants. If any of Globalstar's competitors succeed in marketing and deploying their systems substantially earlier than Globalstar, Globalstar's ability to compete in areas served by such competitors may be adversely affected. A number of satellite-based telecommunications systems have also been proposed, using geostationary satellites, or, in one case, a mid-earth orbit system.

Some of these potential competitors have financial, personnel and other resources substantially greater than those of Globalstar. Many of these competitors are raising capital and may compete with Globalstar for service providers and financing. Technological advances and a continuing trend toward strategic alliances in the telecommunications industry could give rise to significant new competitors. There can be no assurance that some of these competitors will not provide a more efficient or less expensive service. However, Globalstar believes that based upon the public FCC filings of the other MSS applicants, Globalstar will be a low-cost provider.

Satellite-based telecommunications systems are characterized by high up-front costs and relatively low marginal costs of providing service. Several systems are being presently proposed, and, while the proponents of these systems foresee substantial demand for the services they will provide, the actual level of demand will not become known until such systems are constructed, launched and begin operations. If the capacity of Globalstar and any competing systems exceeds demand, price competition could be particularly intense.

Compliance with European Union Competition Laws. European Union competition law proscribes agreements that have the effect of appreciably restricting or distorting competition in the European Union. Globalstar has received an inquiry from the Commission of the European Union requesting information regarding its activities. A violation of European Union law could subject Globalstar to fines or enforcement actions that could result in expenses to Globalstar, delay the commencement of Globalstar service in western Europe, and/or depending on the circumstances, adversely affect Globalstar's contractual rights vis-a-vis its European strategic partners. In addition, the Commission has proposed legislation at the European Union level which, if adopted, would give the Commission broad regulatory authority over "satellite PCS" systems such as Globalstar. The Commission's investigation and proposed legislation are in their preliminary stages, and the Company is unable to predict what effect, if any, the results of such investigation or proposed legislation may have on Globalstar's operations.

Future Operating Risks. Globalstar's ability to succeed after commencement of operations will depend upon numerous factors, including the cooperation, operational and marketing efficiency, competitiveness, finances and regulatory status of Globalstar's service providers, who are the parties responsible for obtaining all necessary local regulatory approval for, and the marketing and distribution of, Globalstar service. Subscriber acceptance of the Globalstar System, which is dependent upon price, demand for service and the availability of alternatives, will also have a direct impact on Globalstar's operations and cash flow. Because Globalstar's largest potential markets are in developing countries, Globalstar and its service providers may face market, inflation, interest rate and currency fluctuation, government policy, expropriation and other economic, political

or diplomatic conditions that are significantly more volatile than those commonly experienced in the United States and other industrialized countries. Globalstar may also incur risks related to currency fluctuations as a result of operations in such countries. Pricing risks, whether arising from the recent downward pricing trend in the telecommunications industry or the limitations on Globalstar's ability to increase its pricing to service providers, may result in a material adverse effect on Globalstar's business.

Risk of Accelerated Build-Out and Competing Technological Advances. It is expected that as land-based telecommunications services expand to regions currently underserved or not served by wireline or cellular services, demand for Globalstar service in those regions may be reduced. If such systems are constructed at a more rapid rate than that anticipated by Globalstar, the demand for Globalstar service may be reduced at rates higher than those assumed in Globalstar's market analysis. Globalstar may also face competition in the future from companies using new technologies and new satellite systems. New technology could render Globalstar obsolete or less competitive by satisfying consumer demand in alternative ways or through the introduction of incompatible telecommunications standards. A number of these new technologies, even if they are not ultimately successful, could have an adverse effect on Globalstar as a result of their initial marketing efforts. Globalstar's business would be adversely affected if competitors begin operations or existing or new telecommunications service providers penetrate Globalstar's target markets before completion of the Globalstar System.

SS/L

Dependence on Limited Number of Customers and Programs. The Company historically has derived a large portion of its total revenues from a limited number of customers. Sales to the U.S. government represented 10%, 23% and 23% of revenues from contracts for the years ended March 31, 1996, 1995 and 1994, respectively. Sales to foreign customers, primarily in Asia, represented 27%, 15% and 31% of revenues from contracts for the years ended March 31, 1996, 1995 and 1994, respectively. In 1996, two commercial customers represented 30% and 13% of revenues from contracts. In 1995, four commercial customers represented 23%, 20%, 15% and 13% of revenues from contracts. Two commercial customers represented 35% and 29% of revenues from contracts in 1994.

Although SS/L is currently pursuing a significant number of new programs, there can be no assurance that SS/L will be successful in capturing any of these new programs to replace the revenue lost by the completion of its current programs. Certain of SS/L's customers prefer to alternate satellite manufacturers they employ in order to reduce dependence on any single manufacturer. This may have an adverse effect on SS/L's ability to obtain future program awards from its current customers.

Competition. Competition in the commercial satellite industry is intense. Among SS/L's significant competitors are Hughes, Lockheed Martin, Matra Marconi and TRW. Some of SS/L's competitors have significantly greater financial, manufacturing, marketing and technical resources than those of SS/L. To the extent these companies offer products and services that are more sophisticated, cost-effective, efficient or reliable than those now offered or to be offered by SS/L, they could have a material adverse effect on SS/L. Further, SS/L's telecommunications satellites face competition from alternative technologies, including fiber optic cable technology, which could reduce demand for the services of SS/L's customers and thus for SS/L's telecommunications products.

Risk of Loss of Revenues Due to Satellite Malfunction or Launch Failure. Certain of SS/L's contracts provide that up to one-quarter of the total contract price is payable in the form of orbital payments, earned during the life of the satellite in orbit as its mission is performed. Although SS/L generally receives the present value of orbital payments in the event of launch failure or a failure caused by an operator error by the customer, it forfeits orbital revenues in the event of a loss caused by system failure or an error on its part. While insurance against loss of orbital revenues has been available in the past, its cost and availability are subject to substantial fluctuations. In addition, SS/L is prohibited under agreements with certain of its customers from insuring its orbital incentives. Moreover, certain of SS/L's contracts call for on-orbit delivery, allocating launch risk to SS/L. It is SS/L's intention to obtain insurance for this exposure. However, SS/L cannot predict whether, and there can be no assurance that, insurance against launch failure and loss of orbital revenues will continue to be available on commercially reasonable terms.

Regulation. The ability of SS/L and its customers to pursue their business activities is regulated by various agencies and departments of the U.S. government. Operation of commercial communications satellites requires licenses from the FCC and frequently requires the approval of foreign regulatory authorities as well. Private land remote sensing satellites require a license from the Department of Commerce. Exports of space-related products, services and technical information frequently require licenses from the Department of State or the Department of Commerce. There is no assurance that SS/L or its customers will be able to obtain necessary licenses or regulatory approvals. The inability of SS/L or its customers to secure any necessary licenses or approvals could have a material adverse effect on its business.

SS/L and the Alliance Partners have entered into a memorandum of agreement with the U.S. Department of Defense ("DOD") with respect to security matters. In addition, because the Alliance Partners are foreign entities, two of which are owned and controlled by foreign governments, SS/L is subject to certain regulations and to U.S. government oversight to which it would not be subject if substantially all of its stockholders were United States citizens.

Dependence on Subcontractors and Alliance Partners. SS/L depends on other companies, including its Alliance Partners, for the development and manufacture of various products that are material to its business. The failure of a subcontractor to perform at expected levels could under certain circumstances have a material adverse effect on SS/L's profitability and its ability to win future program awards.

Dependence on Long-Term Fixed-Price Contracts. The financial results of long-term fixed-price contracts are recognized using the cost-to-cost percentage-of-completion method. Revisions in revenue and profit estimates are reflected in the period in which the conditions that require the revision become known and are estimable. Adjustments for profits or losses may therefore have a material effect on results for the quarter in question. The risks inherent in long-term fixed-price contracts include the forecasting costs and schedules, contract revenues related to contract performance (including revenues from orbital payments) and the potential for component obsolescence in connection with long-term procurements.

Competitive Bidding. SS/L generally obtains its contracts through the process of competitive bidding. There can be no assurance that SS/L will continue to be successful in having its bids accepted or, if accepted, that awarded contracts will generate sufficient revenues to result in profitability for SS/L. SS/L has in the past submitted bids which would result in minimal or no profitability due to a high level of non-recurring engineering costs. Such contracts are generally bid with the expectation of more profitable follow-on satellite contracts as to which there is generally no contractual assurance in advance. To the extent that actual costs exceed the projected costs on which bids or contract prices were based, SS/L's profitability could be materially adversely affected.

Launch Vehicle Access. SS/L's ability to perform its on-orbit delivery contracts depends on the timely availability of appropriate launch vehicles and the availability of the requisite launch insurance. In the past, launch slots have been in limited supply, and the launch insurance market has been subject to considerable fluctuation. Moreover, the availability and pricing of launch vehicles from the former Soviet Union and the People's Republic of China are effected by U.S. government policies and international agreements. To the extent appropriate launch services and insurance become unavailable or prohibitively expensive, SS/L's business would be materially adversely affected.

Technological Developments. The nature of the commercial satellite industry is such that, with each new generation of satellites, satellite manufacturers are expected to offer substantial improvements and innovations at lower effective cost. SS/L's success therefore depends on its ability to design, manufacture and introduce innovative new products and services on a cost-effective and timely basis. There can be no assurance that SS/L will be able to continue to achieve the technological advances necessary to remain competitive or that its products will not be subject to technological obsolescence.

ITEM 2. PROPERTIES

The Company sub-leases office space from Lockheed Martin at 600 Third Avenue, New York, New York 10016 sufficient to allow it to carry on its operations.

Globalstar currently leases approximately 56,000 square feet of office space in San Jose, California from a subsidiary of Lockheed Martin.

SS/L's research production and testing facilities are carried on in SS/L-owned facilities covering approximately 28.4 acres in Palo Alto, California. In addition, SS/L leases 371,000 square feet of space from various third parties.

ITEM 3. LEGAL PROCEEDINGS

CCD Lawsuits. On September 12, 1991, Loral Fairchild Corp. ("Loral Fairchild"), a subsidiary of Loral, filed suit (the "CCD Lawsuit") against a number of companies including Sony Corporation ("Sony"), Matsushita Electronics Corporation ("Matsushita") and NEC Corp. ("NEC") claiming that such companies had infringed Loral Fairchild's patents for a "charged coupled device" ("CCD"), commonly used as an optical sensor in video cameras and fax machines. Although the CCD patents have expired, Loral Fairchild is seeking reasonable royalties through the expiration date from a number of defendants. On February 22, 1996, a jury in the United States District Court for the Eastern District of New York found unanimously that Sony had infringed the CCD patents. After a trial on certain equitable defenses, the case will be certified for interlocutory appeal and, thereafter, a jury trial will be held on the issue of damages. Loral Fairchild's claims against other defendants remain pending. Matsushita has been granted a declaratory judgment that it has a valid and enforceable license under the CCD patents. In addition, a trial on Matsushita's claim against Loral Fairchild for tortious interference is expected to begin on July 22, 1996.

Lockheed Martin has agreed in connection with the Merger to grant to the Company the right to all proceeds or awards resulting from the CCD Lawsuit as well as complete and exclusive control and management thereof. The Company has agreed to pay all fees and expenses relating to the CCD Lawsuit and to indemnify Lockheed Martin and Loral from any losses relating thereto.

None of the Operating Affiliates is a party to any pending legal proceedings material to its financial condition or results of operation.

Environmental Regulation. Manufacturing operations managed by corporations in which the Company has an interest are subject to regulation by various federal, state and local agencies concerned with environmental control. The Company believes that these facilities are in substantial compliance with all existing federal, state and local environmental regulations. With regard to certain sites, environmental remediation is being performed by prior owners who retained liability for such remediation arising from occurrences during their period of ownership. To date, these prior owners have been fulfilling such obligations and the size and current financial condition of the prior owners make it probable that they will be able to complete their remediation obligations without cost to the Company or its Operating Affiliates.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(A) MARKET PRICE AND DIVIDEND INFORMATION

The Company's common stock is listed on the NYSE under the symbol LOR and began trading on April 15, 1996 on a when-issued basis.

The Company does not currently anticipate paying any dividends or distributions prior to the time that Globalstar commences operations and achieves positive cash flow. To date, neither Globalstar nor SS/L has paid any dividends or distributions since their respective dates of inception. Globalstar intends to distribute to its partners its net cash received from operations, less amounts required to repay outstanding indebtedness, pay

distributions on its Redeemable Preferred Partnership Interests, satisfy other liabilities and fund capital expenditures. The Globalstar Credit Agreement and the SS/L credit facility impose restrictions on Globalstar's and SS/L's respective ability to pay distributions or dividends to its partners and stockholders, including to the Company.

(B) APPROXIMATE NUMBER OF HOLDERS OF COMMON STOCK

At May 31, 1996, there were approximately 5,950 holders of record of the Company's common stock.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from, and should be read in conjunction with, the related financial statements. Historical information for Loral Space & Communications Ltd. represents the space and communications operations of Loral Corporation.

LORAL SPACE & COMMUNICATIONS LTD.
(IN THOUSANDS)

	AS OF AND FOR THE YEARS ENDED MARCH 31,					
		ACTUAL				
	PRO FORMA 1996(1)	1996	1995	1994	1993	1992
STATEMENT OF OPERATIONS DATA:						
Management fee from affiliate....	$ 5,608	$ 5,608	$ 3,169	$ 2,981	$ 2,576	$ 1,953
Equity in net income (loss) of affiliates(2)..................	(16,936)	(8,628)	(8,988)	1,174	663	(1,319)
Loss before cumulative effect of accounting change(3)...........	(32,349)	(13,785)	(7,873)	(3,694)	(5,242)	(4,992)
Net loss.........................	(32,349)	(13,785)	(7,873)	(3,694)	(12,001)	(4,992)
BALANCE SHEET DATA:						
Cash and cash equivalents........	$ 612,286	$ --	$ --	$ --	$ --	$ --
Investment in Globalstar(2)......	197,646	195,221	110,970	25,288	--	--
Investment in SS/L...............	144,051	144,051	140,007	138,191	137,017	133,669
Total assets.....................	1,001,638	354,384	251,819	163,479	137,017	133,669
Long-term debt...................	--	--	--	--	--	--
Invested equity..................	--	354,384	251,819	159,198	137,017	133,669
Shareholders' equity.............	988,638					

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(1) The pro forma information includes certain adjustments to the historical information of the space and communications operations of Loral Corporation reflecting the Merger (see Note 1 to Loral Space & Communications Ltd. Balance Sheet).

(2) Globalstar commenced operations on March 23, 1994.

(3) Before the effect of adopting Statement of Financial Accounting Standards No. 106 "Accounting for Postretirement Benefits Other than Pensions," in fiscal 1993 net of related income taxes.

SELECTED FINANCIAL DATA (CONTINUED)

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

(IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31, 1996	THREE MONTHS ENDED MARCH 31, 1995	YEAR ENDED DECEMBER 31, 1995	MARCH 23 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1994	CUMULATIVE MARCH 23, 1994 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 1996
STATEMENT OF OPERATIONS DATA:					
Revenues	$ --	$ --	$ --	$ --	$ --
Operating expenses	15,401	19,395	80,226	28,027	123,654
Interest income	1,449	2,159	11,989	1,783	15,221
Net loss	13,952	17,236	68,237	26,244	108,433
Preferred distribution and related increase on redeemable preferred partnership interests	1,424	--	--	--	1,424
Net loss applicable to ordinary partnership interests	15,376	17,236	68,237	26,244	109,857

	MARCH 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
BALANCE SHEET DATA:			
Cash and cash equivalents	$ 247,108	$ 71,602	$ 73,560
Working capital	206,786	17,687	35,423
Globalstar System Under Construction	508,822	400,257	71,996
Total assets	791,674	505,391	151,271
Vendor financing liability	61,584	42,219	--
Partners' capital	662,886	386,838	112,944

SPACE SYSTEMS/LORAL, INC.
(IN THOUSANDS)

	AS OF AND FOR THE YEARS ENDED MARCH 31, 1996	1995	1994	1993	1992
STATEMENT OF OPERATIONS DATA:					
Revenues	$1,121,619	$633,717	$596,267	$517,242	$390,583
Gross profit	34,406	27,785	24,964	19,855	14,851
Income (loss) before cumulative effect of change in accounting(1)	12,367	5,554	3,591	2,594	(2,586)
Net income (loss)	12,367	5,554	3,591	(18,076)	(2,586)
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 126,863	$ 52,222	$ 26,578	$ 10,121	$ 8,420
Total assets	908,677	766,475	743,016	640,499	579,647
Long-term debt	65,052	34,040	92,249	73,000	141,000
Shareholders' equity	447,868	435,501	429,947	426,356	327,765

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(1) Before the effect of adopting Statement of Financial Accounting Standards No. 106 "Accounting for Postretirement Benefits Other than Pensions" in fiscal 1993 net of related income taxes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained herein, the matters discussed in the following Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company, Globalstar and SS/L, and elsewhere in this Form 10-K, are forward-looking statements that involve risks and uncertainties, many of which may be beyond the companies' control. The actual results that the companies achieve may differ materially from any forward-looking projections due to such risks and uncertainties.

LORAL SPACE & COMMUNICATIONS LTD.

Loral SpaceCom manages and is the largest equity owner of both Globalstar and SS/L. The Company will also act as a Globalstar service provider in Canada, Brazil and Mexico, and is evaluating additional satellite-based service opportunities. Loral SpaceCom was formed to effectuate the distribution of Loral's space and telecommunications businesses to shareholders of Loral and holders of options to purchase Loral common stock pursuant to a merger agreement (the "Merger") dated January 7, 1996 between Loral and Lockheed Martin. The Distribution of approximately 183.6 million shares of Loral SpaceCom common stock was made on April 23, 1996. In connection with the Distribution, Lockheed Martin contributed $612 million in cash to the Company. Of the amount contributed, $344 million represented the purchase of a 20% fully-diluted equity interest in the Company in the form of Loral SpaceCom Series A Convertible Preferred Stock. Such stock is subject to certain voting limitations, restrictions on transfer and standstill provisions.

Loral SpaceCom records its investments in Globalstar and SS/L using the equity method of accounting. Accordingly, Loral SpaceCom's results of operations reflects its proportionate share of the results of operations of its affiliates on an equity accounting basis. References to Loral SpaceCom or the Company prior to the Distribution refer to the space and communications operations of Loral Corporation. Included separately are the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for Globalstar and SS/L. The MD&A for Loral SpaceCom should be read in conjunction with the MD&As of Globalstar and SS/L.

LIQUIDITY AND CAPITAL RESOURCES

Loral SpaceCom commenced operations on April 23, 1996 with $612 million of unrestricted cash, investments in affiliates totaling $342 million, $13 million in liabilities and shareholders' equity of $989 million.

Loral SpaceCom intends to utilize its existing capital base and access to the capital markets to support the financing requirements of the Operating Affiliates (principally Globalstar) and to finance new business opportunities in satellite-based communications either directly or through the Operating Affiliates. It is also anticipated that the Operating Affiliates will directly access the capital markets to satisfy their own financing requirements, and may further seek financial support from their strategic partners, including the Company. Loral SpaceCom's Operating Affiliates are currently financed without recourse to Loral SpaceCom other than the $56.3 million indemnification provided to Lockheed Martin in connection with the Globalstar Credit Agreement.

Loral SpaceCom's Operating Affiliates have no history of paying dividends and are not expected to pay dividends in the near future. The Globalstar Credit Agreement and the SS/L credit facility impose restrictions on Globalstar's and SS/L's respective ability to pay distributions or dividends to its partners and stockholders. In addition, Globalstar does not expect to make distributions prior to the time it commences full commercial operations. It is anticipated that Loral SpaceCom will initially fund its operating requirements (principally consisting of management compensation and corporate overhead expenses) from interest income generated from the temporary investment of cash balances and the receipt of SS/L management fees.

As part of its investment in Globalstar, Loral SpaceCom, as a founding service provider, acquired exclusive service provider rights to Mexico and Brazil. Further, in June 1995, Loral SpaceCom paid Globalstar an initial $9.8 million for exclusive service provider rights to Canada. Loral SpaceCom, in joint

venture with local telephony service providers and international telecommunications businesses, intends to establish Globalstar service operations in such territories.

In September 1994, Loral Corporation exchanged its holdings in K&F's convertible subordinated debentures for cash and common stock representing a 22.5% equity interest in K&F. (See Note 3 to the Loral Corporation -- Space and Communications Operations Financial Statements, (the "Financial Statements"). K&F is principally engaged in the manufacture of aircraft braking systems for commercial and military aircraft.

Cash Provided and Used. Cash used in operating activities for the years ended March 31, 1996, 1995 and 1994 was $1.3 million, $8.4 million and $.6 million, respectively, primarily due to the items discussed in Results of Operations, below.

Cash used in investing activities for the years ended March 31, 1996, 1995 and 1994 was $115.0 million, $92.1 million and $25.3 million, respectively, primarily due to investments in Globalstar. Investments in Globalstar totaled $105.2 million, $103.6 million and $25.3 million in the years ended March 31, 1996, 1995 and 1994 respectively, and include an aggregate of $10.3 million of capitalized costs, principally interest.

Net cash provided by financing activities for the years ended March 31, 1996, 1995 and 1994 was $116.3 million, $100.5 million and $25.9 million, respectively, representing the advances from Loral Corporation to fund the above-mentioned activities.

Investment in Globalstar. At March 31, 1996 Loral SpaceCom's investment in Globalstar was $195.2 million. (See Note 3 to the Financial Statements.) Additionally, Loral SpaceCom holds an indirect 1.4% interest in Globalstar through its ownership of SS/L.

Globalstar is building and preparing to launch and operate a worldwide, low-earth orbit satellite-based digital telecommunications system. The Globalstar System has an estimated total cost of $2.2 billion for capital expenditures, development costs and operating costs through the end of 1998, when full commercial service is scheduled to commence. Globalstar has raised a total of $1.4 billion of financing consisting of $480 million of equity, $310 million of vendor financing, a $250 million bank credit facility, commitments for $33 million of service provider advance payments, net proceeds of $300 million from the sale of GTL 6 1/2% Convertible Preferred Equivalent Obligations. (See Note 3 to the Financial Statements.) Globalstar estimates that it will require an additional $414 million to complete its external financing requirements and that its remaining financing requirement will come from a combination of sources, including advance payments from service providers, anticipated payments associated with the sale of Globalstar Phones and gateways, placements of limited partnership interests with new and existing strategic investors and from net service revenues from initial operations.

Commencing on the In-Service Date, as defined, Globalstar will allocate to its managing general partner an amount equal to 2.5% of Globalstar's revenues up to $500 million plus 3.5% of revenues in excess of $500 million. Loral SpaceCom and Qualcomm will receive 80% and 20% of such allocation, respectively. Globalstar has not made any cash distributions to date, and none are anticipated prior to 1999.

On December 15, 1995, Globalstar entered into a $250 million credit agreement with a group of banks (the "Globalstar Credit Agreement"). The Globalstar Credit Agreement provides that Globalstar may select loans at varying interest rates, including the Eurodollar rate plus 5/8%. Globalstar pays a commitment fee on the unused portion. The Globalstar Credit Agreement contains covenants requiring Globalstar to meet certain financial ratios including minimum net worth of $200 million and limits additional indebtedness and the payment of cash distributions. The Globalstar Credit Agreement expires on December 15, 2000.

Following the consummation of the Merger, Lockheed Martin guaranteed $206.3 million of Globalstar's obligation under the Globalstar Credit Agreement, and SS/L and certain other Globalstar strategic partners guaranteed $11.7 million and $32 million, respectively, of Globalstar's obligation. In addition, Loral SpaceCom has agreed to indemnify Lockheed Martin for liability in excess of $150 million under Lockheed Martin's guarantee.

In connection with such guarantees and indemnity of the Globalstar Credit Agreement, GTL issued to Loral SpaceCom, Lockheed Martin, SS/L and the other strategic partners participating in such guarantee or indemnity, warrants (the "GTL Guarantee Warrants") to purchase 4,185,318 shares of GTL common stock. The GTL Guarantee Warrants have an exercise price of $26.50, are subject to certain vesting requirements, expire on April 19, 2003, are not exercisable until six months after Globalstar commences initial operations unless accelerated at the sole discretion of the managing general partner of Globalstar and may not be transferred to third parties prior to such exercise date. In connection with the issuance of GTL Guarantee Warrants, GTL received (i) warrants to acquire 4,185,318 ordinary partnership interests in Globalstar plus (ii) additional warrants (the "Additional Warrants") to purchase an additional 1,131,168 ordinary partnership interests, on terms and conditions generally similar to those of the GTL Guarantee Warrants. In addition, Globalstar has also agreed to pay to Loral SpaceCom and the other guaranteeing partners a fee equal to 1.5% per annum of the average quarterly amount outstanding under the Globalstar Credit Agreement.

Investment in SS/L. The Company currently holds 32.7% of the economic interest in SS/L. (See Note 3 to the Financial Statements.) SS/L is engaged in the design, manufacture and systems integration for telecommunications, weather and direct broadcast television satellites. A subsidiary of Loral SpaceCom is paid a management fee from SS/L based on SS/L's total adjusted revenues.

SS/L is the prime contractor for the design and construction of Globalstar's 56 satellites. In connection therewith, SS/L and its subcontractors have committed $310 million of vendor financing to Globalstar, of which $121 million of such vendor financing is effectively borne by the subcontractors. As of March 31, 1996, $62 million of such vendor financing has been utilized by Globalstar.

In 1991 and 1992, Loral Corporation sold 49% of SS/L's equity to four European companies involved in aerospace, telecommunications and space communications (the "Alliance Partners"). Under a stockholders agreement, a change of control of Loral Corporation within the meaning of such agreement would provide each of the Alliance Partners with the right to (i) put their equity interests back to SS/L at fair market value, or (ii) purchase a pro rata share of Loral's equity interest in SS/L for fair market value (subject to receiving certain authorizations including U.S. government approval). While it is not certain that the change of control provisions are applicable, the Company and SS/L are seeking an amendment to the stockholders agreement acknowledging the transfer of Loral's interests in SS/L to Loral SpaceCom and a waiver of any applicable put and purchase option rights. In the event that any of SS/L's Alliance Partners put their interests back to SS/L, Loral SpaceCom will acquire such interests. The Company does not expect all the Alliance Partners to exercise their put rights in connection with the Distribution, but, if all such put rights, if any, were exercised, the Company believes its obligations pursuant to these rights would be less than $250 million.

Certain partnerships affiliated with Lehman Brothers Inc. (the "Lehman Partnerships") hold Series S Preferred Stock of a Loral SpaceCom subsidiary. Each share of Series S Preferred Stock represents a beneficial interest in one share of common stock of SS/L. As a result of the issuance of the Series S Preferred Stock, the Lehman Partnerships have no economic interest in the subsidiary other than with respect to the SS/L operations. If the Lehman Partnerships continue to hold the Series S Preferred Stock after January 1, 1998 or after a change in control of the Company, they will have the right to request that the Company purchase their Series S Preferred Stock at fair market value. In such event, the Company may elect to purchase such Series S Preferred Stock at fair market value, or if the Company elects not to purchase the stock, the Lehman Partnerships may require the combined interests of the Company and the Lehman Partnerships in SS/L to be sold to a third party. (See Notes 3 and 7 to the Financial Statements.) The Lehman Partnerships have advised the Company that they do not intend to request that the Company purchase their Series S Preferred Stock. The Company currently has no intention of selling its interest in SS/L.

Other Business Opportunities. Loral SpaceCom is currently evaluating several new business initiatives including joint ventures to provide "direct-to-home" ("DTH") television service in certain regions of the world, a proposed digital communications service using a high-speed, satellite-delivered communications system called CyberStar and a proposed hybrid communications satellite. These ventures are in formative

stages and there can be no assurance that they will be further developed or licensed, or that the necessary capital to complete such ventures will be available.

RESULTS OF OPERATIONS

The results of operations include the proportionate share of net income
(loss) of Globalstar and SS/L using the equity method of accounting. Such results also include certain allocated costs and expenses representing an allocation of Loral Corporation corporate office expenses based primarily on the allocation methodology prescribed by government regulations pertaining to government contractors. Allocated interest expense has been based on Loral Corporation's actual weighted average debt rate applied to the average investment in affiliate balance during the period. Accordingly, such results of operations are not necessarily representative of all revenues and expenses that would have occurred had the Space and Communications Operations been an independent entity. Additionally, such results of operations exclude certain revenues and expenses anticipated when Loral SpaceCom commences operations such as interest income from the temporary investment of $612 million of cash balances and other additional operating expenses.

Future operating results of Loral SpaceCom will be dependent on a number of factors including the results of operations of the Operating Affiliates, the level of corporate operating expenses, the utilization of the available cash balances and the extent of interest income or other investment income. Loral SpaceCom currently anticipates generating net income during the balance of calendar year 1996; however, this result may be adversely impacted by the outcome of these factors.

Taxation. Loral SpaceCom will be subject to U.S. federal, state and local income taxation at regular corporate rates on any income from sources within the United States that is effectively connected with the conduct of its U.S. trade or business. When such income is deemed removed from the U.S. business, it will be subject to an additional 30 percent "branch profits" tax. While, Loral SpaceCom expects that most of its income from Globalstar will be from sources outside the United States, some portion of such foreign source income will be subject to taxation by certain foreign countries.

Also, any U.S. subsidiary formed to conduct Loral SpaceCom's U.S. activities will be subject to U.S. taxation at regular corporate rates. In addition, a 30% U.S. withholding tax will apply to dividends received from K&F, SS/L, or any other U.S. corporation.

Furthermore, Loral SpaceCom has obtained an assurance from the Minister of Finance under the Exempted Undertakings Tax Protection Act of 1996 that Bermuda will not subject the company to any tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax until at least March 28, 2016 except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Company or any land leased or let to the Company. As an exempted company, the Company is liable to pay in Bermuda a registration fee based upon its authorized share capital and the premium on its issued shares. Based upon the authorized share capital of the Company, the annual registration fee payable by the Company will be $15,000.

Comparison of Results for the Years Ended March 31, 1996 and March 31, 1995

The results of operations reflect a net loss of $13.8 million for the year ended March 31, 1996 as compared to a net loss of $7.9 million for 1995. The increase in the 1996 loss is primarily due to the 1995 non-recurring gain of $6.9 million net of taxes resulting from the exchange of K&F debentures for cash and equity (see Note 3 to the Financial Statements).

Management fees earned from SS/L are based on a percentage of SS/L's revenues, as defined. During fiscal 1996, management fees totaled $5.6 million as compared to $3.2 million in 1995 reflecting an increase in SS/L's revenues to $1.1 billion in 1996 from $633.7 million in 1995.

Allocated costs and expenses decreased to $3.0 million in 1996 from $3.2 million in 1995 due to changes in both the level of Loral Corporation corporate office expenses and changes in the proportional factors within the allocation formula. Allocated interest expense increased to $10.5 million in 1996 from $9.5 million in 1995,

primarily as a result of Loral Corporation's increased effective borrowing rate applied to its investment in SS/L.

For the year ended March 31, 1996, the effective income tax rate was
(35.0)% compared to 44.9% in 1995. The change in the effective rate for 1996 as compared to 1995 is primarily a result of the proportionate impact of taxes on undistributed earnings of affiliates (SS/L) for the year.

The equity in net loss of affiliates in 1996 of $8.6 million as compared to $9.0 million in 1995 reflects Loral SpaceCom's proportionate share of higher Globalstar costs for the design, development and construction of the Globalstar System offset by the proportionate share of higher SS/L income.

Comparison of Results for the Fiscal Years Ended March 31, 1995 and March 31, 1994

The results of operations reflect a net loss of $7.9 million for the year ended March 31, 1995 as compared to a net loss of $3.7 million for 1994. The increase in the 1995 loss is primarily due to the equity in net loss of Globalstar of $10.8 million offset by the non-recurring gain of $6.9 million net of taxes resulting from the exchange of K&F debentures for cash and equity. (See Note 3 to the Financial Statements.)

Management fees during the fiscal years ended March 31, 1995 and 1994 of $3.2 million and $3.0 million, respectively, represent management fees earned from SS/L reflecting SS/L's total revenues which increased to $633.7 million in 1995 from $596.3 million in 1994.

Allocated costs and expenses increased to $3.2 million in 1995 from $2.6 million in 1994 due to changes in both the level of Loral Corporation corporate office expenses and changes in the proportional factors within the allocation formula. Allocated interest expense increased to $9.5 million in 1995 from $8.3 million in 1994, primarily as a result of Loral Corporation's increased effective borrowing rate applied to its investment in SS/L.

For the year ended March 31, 1995, the effective income tax rate was 44.9% compared to 38% in 1994. The increase in the 1995 effective rate resulted from the increase in the proportionate impact of taxes on undistributed earnings of affiliates (SS/L) for the year.

The equity in net loss of affiliates in 1995 of $9.0 million as compared to equity in net income of $1.2 million in 1994 reflects Loral SpaceCom's proportionate share of Globalstar's costs for the design, development and construction of the Globalstar System.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1996, cash and cash equivalents increased to $247.1 million from $71.6 million at December 31, 1995. The net increase is a result of the receipt of $290.0 million from the sale of 4,615,385 Redeemable Preferred Partnership Interests, advance payments received for option territories of $1.7 million and interest on outstanding cash balances of $1.4 million, offset by the expenditures for operations and the Globalstar System Under Construction.

Payables to affiliates and accrued expenses decreased by $10.8 million from $54.4 million to $43.6 million during the three months ended March 31, 1996, as a result of the timing of payments to Globalstar contractors.

Globalstar anticipates that the cost for the design, construction and deployment of the Globalstar System, excluding working capital, cash interest on anticipated borrowings and operating expenses to be approximately $1.8 billion. Actual amounts may vary from this estimate and additional funds would be required in the event of unforeseen delays, cost overruns, launch failures or other technological risks or adverse regulatory developments, or to meet unanticipated expenses.

Through March 31, 1996, Globalstar incurred costs of approximately $612 million for the design and construction of the satellite constellation, launch vehicle payments and portions of the two SOCCs, two GOCCs, Globalstar Phones and four gateways that make up part of the Globalstar ground segment. Costs incurred during the first quarter 1996 were approximately $121 million (including $19.4 million accrued under vendor financing arrangements) as satellite production activities continued, including pre-production model construction and test, parts procurement and subassembly construction of the satellites. Expenditures for the GOCCs and SOCCs included costs for software integration and test. Total 1996 system costs are expected to approximate $566 million and include an estimated $90.1 million of accrued costs under vendor financing arrangements. Satellite production, integration and testing will continue during the year. Ground Segment activities in 1996 will include the development of laboratory prototypes of the Globalstar Phones and the completion of SOCC installation and checkout.

In addition to the above capital requirements, Globalstar will require funds for its working capital, interest and preferred distributions on the Redeemable Preferred Partnership Interests and future financings, repayment of a portion of vendor financing and operating expenses through the Full Constellation Date, currently estimated to be approximately $293 million.

Globalstar and its strategic service providers intend to jointly finance the procurement of 25 gateways and long-lead-time parts for 25 additional gateways for resale to service providers, thereby accelerating the deployment of gateways around the world prior to the In-Service Date. The cost of this program before financing costs is expected to be approximately $160 million, of which Globalstar has agreed to finance approximately $80 million. Globalstar expects to recover its investment in this gateway financing program from the resale of these gateways to service providers. Globalstar is presently evaluating a plan to purchase long-lead-time component parts for possible use in constructing 6 to 12 additional satellites. The current estimated additional cost for these components is approximately $75 to $120 million, depending upon the quantity purchased. The plan has two purposes: (i) to enable Globalstar to have on-orbit at least 38 to 44 satellites during 1999, even in the event of launch failures of up to two launches of 12 satellites each, and (ii) to provide ground spares that would be readily available to replenish the satellite constellation in the event of satellite attrition during the first generation or if there are opportunities for increasing capacity. If Globalstar were to experience a launch failure, the long-lead-time components would be used to build replacement satellites and the cost associated with the construction and launch of such satellites would be reimbursed through insurance.

This information represents Globalstar's current anticipated cash requirements. Actual amounts may vary from these estimates and additional funds would be required in the event of unforeseen delays, cost overruns,

launch failures or other technological risks or adverse regulatory developments, or to meet unanticipated expenses.

Through March 31, 1996, Globalstar has obtained a total of $1.4 billion of financing consisting of $480 million of equity, $310 million of vendor financing, a $250 million credit facility (the "Globalstar Credit Agreement"), guaranteed by certain parties, commitments for approximately $33 million of advance payments associated with certain Globalstar service territories, net proceeds of $290 million from the sale of Redeemable Preferred Partnership Interests to GTL, which was purchased by GTL with the proceeds from the sale of its 6 1/2% Convertible Preferred Equivalent Obligations (the "Securities") and on April 3, 1996, an additional $9.7 million from the sale of Redeemable Preferred Partnership Interests to GTL from the proceeds from an additional sale of the Securities.

Globalstar believes that its current capital, vendor financing commitments and the availability of the Globalstar Credit Agreement are sufficient to fund its requirements into the first quarter of 1997. Of such financing commitments, a substantial portion of the vendor financing will not be utilized until 1997 and 1998. Additional funds to complete the Globalstar System are expected to be obtained through a combination of debt issuance (which may include an equity component), projected service provider payments, projected net service revenues from initial operations, anticipated payments received from the sale of gateways and Globalstar Phones and placement of limited partnership interests with new and existing strategic investors. Although Globalstar believes it will be able to obtain this additional financing, there can be no assurance that the financing will be available on favorable terms or on a timely basis, if at all.

RESULTS OF OPERATIONS

Comparison of Results for the Three Months Ended March 31, 1996 and 1995

Globalstar is a development stage partnership and has not commenced commercial service operations. For the period March 23, 1994 (commencement of operations) to March 31, 1996, Globalstar has recorded cumulative net losses of $108.4 million. The net loss for the quarter ended March 31, 1996 decreased to $14.0 million from $17.2 million in the quarter ended March 31, 1995 as a result of timing of work performed by Globalstar contractors. Globalstar is expending significant funds for the design, construction, testing and deployment of the Globalstar System and expects such losses to continue until commencement of service operations.

Globalstar has earned interest income of $15.2 million since commencement of operations on cash balances and short term investments. Interest income for the quarter ended March 31, 1996 was $1.4 million as compared to $2.2 million earned during the quarter ended March 31, 1995. Interest income has decreased from the quarter ended March 31, 1995 as a result of lower cash balances within the quarter ended March 31, 1996.

Operating Expenses. Development costs of $11.4 million for the quarter ended March 31, 1996, represent the development of certain technologies under a cost sharing arrangement in Globalstar's contract with Qualcomm, the development of Globalstar Phones and Globalstar's continuing in-house engineering. This compares with $16.2 million of development costs incurred during the quarter ended March 31, 1995.

Marketing, general and administrative expenses were $4.0 million for the quarter ended March 31, 1996 as compared to $3.2 million incurred during the quarter ended March 31, 1995. The increase from the quarter ended March 31, 1995 is a result of both increased marketing and personnel costs, consistent with the higher level of activity at Globalstar.

Depreciation. Globalstar intends to capitalize all costs, including interest as applicable, associated with the design, construction and deployment of the Globalstar System, except costs associated with the development of the Globalstar Phones and certain technologies under a cost sharing arrangement with Qualcomm. Globalstar will not record depreciation expense on the Globalstar System Under Construction until the commencement of initial service operations, as assets are placed into service.

Income Taxes. Globalstar was organized as a limited partnership. As such, no income tax provision (benefit) is included in the accompanying financial statements since U.S. income taxes are the responsibility of its partners. Generally, taxable income (loss), deductions and credits of Globalstar will be passed through to its partners.

Comparison of Results for the Year Ended December 31, 1995 to the Period March 23, 1994 (commencement of operations) to December 31, 1994

For the period March 23, 1994 (commencement of operations) to December 31, 1995, Globalstar has recorded cumulative net losses of $94.5 million. The net loss for the year ended December 31, 1995 increased to $68.2 million from $26.2 million in the prior period March 23, 1994 (commencement of operations) to December 31, 1994 (the "Prior Period"). Globalstar is expending significant funds for the design, construction, testing and deployment of the Globalstar System and expects such losses to continue until commencement of service operations.

Globalstar has earned interest income amounting to $13.8 million since commencement of operations on cash balances and short term investments. Interest income for the year ended December 31, 1995 was $12.0 million as compared to $1.8 million earned during the Prior Period. Interest income has increased significantly from the Prior Period as a result of higher cash balances invested due to the sale of 10,000,000 partnership interests to GTL for $185.8 million during the first quarter and the receipt of payments against capital subscriptions of $133.8 million.

Operating Expenses. Development costs of $62.9 million for the year ended December 31, 1995, represent the development of certain technologies under a cost sharing arrangement in Globalstar's contract with Qualcomm, the development of Globalstar Phones and Globalstar's continuing in-house engineering. This compares with $21.3 million of development costs incurred during the Prior Period. The increase as compared to the Prior Period is primarily related to the technologies being developed under the cost sharing arrangement with Qualcomm.

Marketing, general and administrative expenses were $17.4 million for the year ended December 31, 1995 as compared to $6.7 million incurred during the Prior Period. The increase from the Prior Period is a result of both increased marketing and personnel costs consistent with the higher level of activity at Globalstar.

Depreciation. Globalstar intends to capitalize all costs, including interest as applicable, associated with the design, construction and deployment of the Globalstar System, except costs associated with the development of certain technologies under a cost sharing arrangement with Qualcomm and costs of the Globalstar Phones. Globalstar will not record depreciation expense on the Globalstar System under construction until the commencement of initial service operations, as assets are placed into service.

Income Taxes. Globalstar was organized as a limited partnership. As such, no income tax provision (benefit) is included in the accompanying financial statements since U.S. income taxes are the responsibility of its partners. Generally, taxable income (loss), deductions and credits of Globalstar will be passed through to its partners.

LIQUIDITY AND CAPITAL RESOURCES

For the years ended March 31, 1996, 1995 and 1994, SS/L's operations provided cash of $67.8 million, $115.8 million and $19.3 million, respectively. For these same periods, income before depreciation, amortization, taxes, minority interest and equity in loss of affiliates was $58.4 million, $48.7 million and $42.2 million, respectively. The significant fluctuations between such amounts arise primarily from the timing of payments and advances received and costs incurred on contracts in process including long-term receivables; such changes increased (decreased) cash by $(47.7) million, $42.0 million and $(18.3) million in the respective periods. It is common in the satellite industry that certain contracts have terms deferring payment of a portion of the contract price until delivery, or in some cases until after delivery, in the form of orbitals. Contracts in process, net increased by $47.9 million in the year ended March 31, 1996, primarily due to working capital requirements of various commercial programs, offset by milestone payments received from customers. Contracts in process, net decreased $44.0 million in the year ended March 31, 1995, primarily due to milestone payments received from customers and the reallocation of long-term receivables related to orbitals, offset by working capital requirements of various commercial programs. Long-term receivables increased $10.2 million and $41.7 million in the years ended March 31, 1996 and 1995, respectively, due to increases in long-term receivables related to orbitals primarily for the Intelsat VII series of satellites. Accounts payable, accrued payroll and other current liabilities increased $76.0 million and $27.5 million in the years ended March 31, 1996 and 1995, respectively, primarily due to increased payables to subcontractors for Globalstar and other commercial programs. Customer advances increased by $10.4 million and $39.7 million in the years ended March 31, 1996 and 1995, respectively, due to advances on new program awards during the periods.

In the years ended March 31, 1996, 1995 and 1994, SS/L expended $24.2 million, $23.4 million and $22.6 million for capital equipment and facilities expansion. In fiscal 1995 and 1994, SS/L contributed a total of $6.0 million for an 11% limited partnership interest in LQSS, a general partner of Globalstar. In fiscal 1995, SS/L also purchased a 5% interest in Orion Network Systems, Inc. for $5.0 million.

Cash provided by (used in) financing activities for the years ended March 31, 1996, 1995 and 1994 was $31.0 million, $(58.2) million and $22.1 million, respectively, primarily due to debt borrowings and repayment activities in each of the periods.

At March 31, 1996, SS/L had cash and cash equivalents of $126.9 million and had $65.1 million of long-term debt outstanding, with $171.6 million available under its credit facilities. Under a revolving credit agreement with a group of banks, interest is charged at various rates based on the lead bank's prime rate, or margins over the Federal Funds rate or LIBOR, at SS/L's option. The LIBOR interest rate is subject to a reduction of 1/10% on SS/L's achievement of a certain financial covenant which has been achieved by SS/L.

SS/L believes its revolving credit agreement, which expires in December 1997, and other credit facilities are adequate to meet its financing needs for the next twelve months. Subsequent to March 31, 1996, SS/L received authorization under its credit facilities to permit the transaction under the Distribution Agreement, described below.

In 1991 and 1992, Loral Corporation sold 49% of SS/L's equity to the Alliance Partners. Under a stockholders agreement, a change of control of Loral Corporation within the meaning of such agreement would provide each of the Alliance Partners with the right to (i) put their equity interests back to SS/L at fair market value, or (ii) purchase a pro rata share of Loral's equity interest in SS/L for fair market value (subject to receiving certain authorizations including U.S. government approval). While it is not certain that the change of control provisions are applicable, the Company and SS/L are seeking an amendment to the stockholders agreement acknowledging the transfer of Loral's interests in SS/L to Loral SpaceCom. In the event that any of SS/L's Alliance Partners put their interests back to SS/L, Loral SpaceCom will acquire such interests. The Company does not expect all the Alliance Partners to exercise their put rights, if any, in connection with the Distribution, but, if all such put rights were exercised, the Company believes its obligations pursuant to these rights would be less than $250 million.

BACKLOG

Funded backlog at March 31, 1996 and 1995 was $1.2 billion. Approximately 74% of the total backlog was for six commercial contracts. Foreign customers accounted for 29% and 43% of the total backlog in 1996 and 1995, respectively. Awards for the year ended March 31, 1996 were $1.1 billion, primarily consisting of bookings, including the design, fabrication, test and delivery of satellites for the MCI/News Corp., PanAmSat 7 & 8 and Apstar IIR programs and specific payload equipment for the Yamal, Sirius and Eutelsat programs. Awards also include additional funding for the Globalstar, GOES and Space Station programs.

RESULTS OF OPERATIONS

Comparison of Results for the Fiscal Years Ended March 31, 1996 and March 31, 1995

During the year ended March 31, 1996, revenues from contracts increased to $1.1 billion from $633.7 million for the year ended March 31, 1995. Gross profit increased to $34.4 million from $27.8 million in the prior year. The changes in sales and gross profit primarily result from a change in the current program mix and increased sales volume for launch vehicles and risk management on programs requiring in-orbit satellite delivery; such sales typically have lower-than-average fee rates.

The increases in revenues are attributable to higher volume on commercial satellite programs of $521.4 million, including the Globalstar program of $239.7 million, offset by lower volume on both the GOES weather satellite program of $18.9 million and the Space Station program of $14.6 million.

Interest income net of interest expense increased $5.0 million to $6.3 million from $1.3 million for the same period in the prior year, primarily attributable to increased investment income of $2.6 million resulting from increased invested cash balances and $2.4 million of interest income associated with orbital receipts.

Equity in net loss of affiliate represents SS/L's proportionate share of Globalstar's net loss; SS/L made this investment in March 1994.

As a result of the above, net income increased to $12.4 million from $5.6 million in the comparable period of the prior year.

SS/L's effective tax rate decreased to 53.4% in fiscal 1996 from 62.2% in the prior year. Income before income taxes increased in the same period from $19.2 million to $28.4 million resulting in a decreased impact on the effective tax rate of the non-deductible goodwill amortization and the losses of ISTI (see Note 5 to the SS/L Financial Statements).

Comparison of Results for the Fiscal Years Ended March 31, 1995 and March 31, 1994.

During fiscal 1995, revenues from contracts increased to $633.7 million from $596.3 million in the prior year. Net income increased to $5.6 million compared with $3.6 million in the prior year.

The increase in revenues of $37.4 million is attributable to higher volume on commercial satellite programs of $29.2 million, the Space Station program of $4.6 million and the GOES weather satellite program of $3.6 million.

Gross profit increased to $27.8 million from $25.0 million in the prior year. Gross profit as a percentage of sales increased to 4.4% from 4.2%, resulting primarily from both the increase in sales volume and an increase in gross margins on newly awarded programs.

Interest income, net of interest expense increased $2.7 million to $1.3 million from net expense of $1.4 million in the prior year, primarily resulting from increased interest income from orbital receipts for newly launched satellites of $1.5 million, and increased investment income resulting from cashflow of $1.2 million.

Equity in net loss of affiliate represents SS/L's proportionate share of Globalstar's net loss; SS/L made this investment in March 1994.

SS/L's effective tax rate decreased to 62.2% in fiscal 1995 from 75.8% in the prior year. On August 10, 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law, including a provision that

increased the Federal corporate rate by 1% to 35% effective January 1, 1993. In fiscal 1994, the net deferred tax liabilities were revalued at the higher rate, resulting in an increase to the effective tax rate. In fiscal 1995, such revaluation was not required. Additionally, the impact on the effective tax rate of the non-deductible goodwill amortization and the losses of ISTI decreased resulting from an increase in income before income taxes (see Note 5 to the SS/L Financial Statements).

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Financial Statements on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following persons, all of whom, previously served as directors of Loral, have been elected to serve as the directors of the Company. As provided in the Company's Bye-laws, the holders of the Company's common stock elect the directors. Approximately one-third of the Company's Board is elected each year to serve for a three-year period. Initially, however, members of all three classes were elected by Loral as sole shareholder of the Company prior to the Distribution. The directors were elected to three classes as follows: three directors, constituting the "Class I Directors," were elected for a term expiring at the 1997 Annual Meeting, three directors, constituting the "Class II Directors," were elected for a term expiring at the 1998 Annual Meeting, and four directors, constituting the "Class III Directors," were elected for a term expiring at the 1999 Annual Meeting. At each Annual Meeting beginning in 1997, directors will be elected to succeed those whose terms expire, with each newly elected director to serve a three-year term. The Series A Preferred Stock issued to Lockheed Martin may be voted without restriction on all matters submitted to shareholders for approval, except that it may not vote for the election of directors. After the conversion of the Series A Preferred Stock into common stock, the common stock may vote without restriction on all matters, including the election of directors, except that in the event of an election contest, Lockheed Martin and its affiliates have agreed, pursuant to a shareholders agreement, that they will, subject to certain exceptions, vote any of the common stock, at their option, either (i) as recommended by the Board of Directors or management of the Company, or (ii) in the same proportions as the holders of the Company's equity securities vote their securities.

The following table sets forth the directors and executive officers of the Company as of June, 1996:

NAME	AGE	POSITION
Bernard L. Schwartz (Class III)..........	70	Chairman of the Board of Directors and Chief Executive Officer
Michael B. Targoff......................	51	President and Chief Operating Officer
Howard Gittis (Class I).................	61	Director
Robert B. Hodes (Class II)..............	70	Director
Gershon Kekst (Class I).................	60	Director
Charles Lazarus (Class II)..............	71	Director
Malvin A. Ruderman (Class III)..........	68	Director
E. Donald Shapiro (Class III)...........	63	Director
Arthur L. Simon (Class I)...............	63	Director
Thomas J. Stanton, Jr. (Class III)......	67	Director
Daniel Yankelovich (Class II)...........	70	Director
Michael P. DeBlasio.....................	59	Senior Vice President and Chief Financial Officer
Nicholas C. Moren.......................	49	Vice President and Treasurer
Harvey B. Rein..........................	42	Vice President and Controller
Eric J. Zahler..........................	45	Vice President, General Counsel and Secretary

Mr. Schwartz has been the Chairman and Chief Executive Officer of the Company since January of 1996 and had been Chairman and Chief Executive Officer of Loral since 1972. Mr. Schwartz has been Chairman of the Board of Directors of SS/L since February 1991. He is also Chairman and Chief Executive Officer of Globalstar, GTL and K&F, and serves as a director of Reliance Group Holdings, Inc. and certain of its subsidiaries, Sorema International Holding N.V. and First Data Corporation. Mr. Schwartz is also a Trustee of New York University Medical Center. Mr. Schwartz has been a director and Vice Chairman of Lockheed Martin Corporation since April 1996.

Mr. Targoff has been President and Chief Operating Officer of the Company since March of 1996 and had been Senior Vice President and Secretary of Loral since 1992 and prior thereto held other executive officer positions with Loral. Mr. Targoff is also a director of SS/L and GTL.

Mr. Gittis has been Vice Chairman and Chief Administrative Officer of MacAndrews & Forbes Holdings Inc. since 1984. He is also a director of Andrews Group Incorporated, Consolidated Cigar Corporation, First Nationwide Holdings, Inc., First Nationwide Bank, Jones Apparel Group, Inc., Mafco Worldwide Corporation, National Health Laboratories Holdings, Inc., NWCG Holdings Corporation, New World Communications Group Incorporated, New World Television Incorporated, Revlon Consumer Products Corporation and Revlon Worldwide Corporation.

Mr. Hodes became Counsel to Willkie Farr & Gallagher in 1995. He was a partner in Willkie Farr & Gallagher since 1956. He is also a director of Aerointernational, Inc., W.R. Berkeley Corporation, Crystal Oil Company, GTL, R.V.I. Guaranty, Ltd., LCH Investments N.V., Mueller Industries, SS/L, Inc. and Restructured Capital Holdings, Ltd.

Mr. Kekst is President of Kekst and Company Incorporated, a corporate and financial communications consulting company which was established in 1970.

Mr. Lazarus has been Chairman of Toys "R" Us, Inc. since 1974. He is also a director of Automatic Data Processing, Inc.

Mr. Ruderman has been Professor of Physics, Columbia University since 1969.

Mr. Shapiro is the Joseph Solomon Distinguished Professor of Law (since 1983) and Dean/Professor of Law (1973-1983) of New York Law School. He is also a director of Bank Leumi Trust Co., Eyecare Products PLC, Vasomedical, Inc., Kranzco Realty Trust, MacroChem Corporation and Premier Laser Systems.

Mr. Simon is an independent consultant and was a partner of Coopers & Lybrand, L.L.P. from 1968 to 1994.

Mr. Stanton has been Chairman Emeritus of National Westminster Bancorp NJ since 1990. He is also a director of Reliance Group Holdings, Inc. and Reliance Insurance Co.

Mr. Yankelovich is Chairman of DYG, Inc., a market, consumer and opinion research firm. He is also Director Emeritus of U.S. West Inc., Meredith Corporations and Arkla, Inc.

Mr. DeBlasio has been Senior Vice President and Chief Financial Officer of the Company since March of 1996 and had been Senior Vice President-Finance of Loral since 1979. Mr. DeBlasio is also a director of SS/L and GTL.

Mr. Moren has been Vice President and Treasurer of the Company since March of 1996 and had been Vice President and Treasurer of Loral since 1991.

Mr. Rein has been Vice President and Controller of the Company since June of 1996, and had been Assistant Controller of Loral since 1985.

Mr. Zahler has been Vice President, General Counsel and Secretary of the Company since March of 1996 and had been Vice President and General Counsel of Loral since 1992. From 1984 to 1992, Mr. Zahler was a partner in the law firm of Fried, Frank, Harris, Shriver & Jacobson.

Directors of the Company will be paid a fixed annual retainer fee of $25,000 per year. Non-employee directors will also be paid a per meeting attendance fee of $6,000. The Company expects to provide life insurance and medical benefits to non-employee directors on substantially the same basis that such benefits were provided by Loral. Non-employee directors will also have the opportunity to elect to defer their annual fees and have them credited toward the purchase of Common Stock, which will be delivered after termination of directorship.

ITEM 11. EXECUTIVE COMPENSATION

Because the Company is newly formed, historical information on executive compensation paid by the Company is not available. Compensation for the Company's Chief Executive Officer has been established by the Board of Directors and the Compensation Committee, and compensation for the other principal executive officers has been maintained at their prior levels pending review by the Board of Directors and the Compensation Committee.

Set forth below are the names and titles of the Company's five most highly compensated executive officers and the annual base salary as of May 31, 1996, for each such executive officer:

NAME AND TITLE	CURRENT ANNUAL SALARY
Bernard L. Schwartz, Chairman and Chief Executive Officer	$ 956,300
Michael B. Targoff, President and Chief Operating Officer	400,000
Michael P. DeBlasio, Senior Vice President and Chief Financial Officer	434,000
Nicholas C. Moren, Vice President and Treasurer	214,000
Eric J. Zahler, Vice President, General Counsel and Secretary	240,000

BONUS ARRANGEMENTS

Pursuant to the Merger Agreement, the Company has paid to employees of Loral who become employees of the Company and its subsidiaries all bonus compensation payable for the fiscal year of Loral ended March 31, 1996, under any bonus program of Loral or its subsidiaries in which the employee participated prior to the merger, or under any employment agreement applicable to such employee. Lockheed Martin has agreed to reimburse the Company for the amount of such bonuses paid to all employees.

The Company intends to adopt an annual bonus plan for executive officers and other key employees. The bonus program will be adopted by the Board of Directors and approved by the Company's Compensation Committee. Executive officers will also participate in the Company's 1996 Stock Option Plan, which is described below. The level of participation of each executive officer in the 1996 Stock Option Plan will be determined by the Compensation Committee of the Board of Directors (the "Compensation Committee").

1996 STOCK OPTION PLAN

Prior to the Distribution, the 1996 Stock Option Plan (the "SOP") was adopted by the Board of Directors. The SOP provides for the grant of non-qualified stock options ("NQSOs") and incentive stock options as defined in Section 422 of the Code ("ISOs"). The SOP is administered by the Compensation Committee of the Company, which consists of at least two directors of the Company, each of whom must be a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Exchange Act. Key employees and officers of the Company are eligible to participate in the SOP. Management of the Company believe that the SOP is important to provide an inducement to obtain and retain the services of qualified employees and officers. At present, all the officers and approximately 800 other key employees of the Company and its Operating Affiliates are eligible to participate in the SOP. The SOP (but not outstanding options) will terminate on the tenth anniversary of its adoption. The Company has reserved 12,000,000 shares of Common Stock for issuance upon the exercise of options under the SOP.

Recipients of options under the SOP ("Optionees") are selected by the Compensation Committee. The Compensation Committee determines the terms of each option grant including (1) the purchase price of shares subject to options, (2) the dates on which options become exercisable, and (3) the expiration date of each option (which may not exceed ten years from the date of grant). The Compensation Committee has the

power to accelerate the exercisability of outstanding options at any time. The number of shares for which options may be granted under the SOP to any single Optionee during any partial or full calendar year that the SOP is in effect may not exceed 2,000,000 (subject to adjustment for capital changes).

The purchase price of the shares of Common Stock subject to options will be fixed by the Compensation Committee, in its discretion, at the time options are granted; provided, that (i) in no event shall the per share purchase price of an ISO be less than the Fair Market Value (as defined in the SOP) of a share of Common Stock on the date of grant; (ii) in no event shall the per share purchase price of a NQSO be less than the lower of (A) 50% of the Fair Market Value of a share of a Common Stock on the date of grant, and (B) $20 below the aforesaid Fair Market Value; and (iii) in no event shall the per share purchase price of any option be less than the par value per share of the Common Stock.

Optionees will have no voting, dividend, or other rights as shareholders with respect to shares of Common Stock covered by options prior to becoming the holders of record of such shares. All option grants will permit the purchase price to be paid in cash, by tendering stock, or by brokered or "cashless" exercise. The number of shares covered by options will be appropriately adjusted in the event of any merger, recapitalization or similar corporate event.

The Board of Directors of the Company may at any time terminate the SOP or from time to time make such modifications or amendments to the SOP as it may deem advisable; provided that the Board may not, without the approval of the Company's shareholders, (i) increase the maximum number of shares of Common Stock for which options may be granted under the SOP or (ii) reduce the minimum purchase price at which options may be granted under the SOP.

Options granted under the SOP will be evidenced by a written option agreement between the Optionee and the Company. Subject to limitations set forth in the SOP, the terms of option agreements will be determined by the Compensation Committee, and need not be uniform among Optionees.

The Compensation Committee made the following stock option grants to the Company's named executive officers at an exercise price of $10.50 per share:
Bernard L. Schwartz 1,200,000 shares, Michael B. Targoff 800,000 shares, Michael P. DeBlasio 800,000 shares, Nicholas C. Moren 500,000 shares and Eric J. Zahler 500,000 shares.

The following is a brief discussion of the Federal income tax consequences of transactions under the SOP based on the Code. The SOP is not qualified under
Section 401(a) of the Code.

No taxable income is realized by an Optionee upon the grant or exercise of an ISO. If Common Stock is issued to an Optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such Optionee within two years after the date of grant or within one year after the transfer of such shares to such Optionee, then (i) upon sale of such shares, any amount realized in excess of the option price will be taxed to such Optionee as a long-term capital gain and any loss sustained will be a long-term capital loss, and (ii) no deduction will be allowed to the Optionee's employer for Federal income tax purposes.

If the Common Stock acquired upon the exercise of an ISO is disposed of prior to the expiration of either holding period described above, generally (i) the Optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at exercise (or, if less, the amount realized on the disposition of such shares) over the option price paid for such shares, and (ii) the Optionee's employer will be entitled to deduct such amount for Federal income tax purposes if the amount represents an ordinary and necessary business expense. Any further gain (or loss) realized by the Optionee will be taxed as short-term or long-term capital gain (or loss), as the case may be, and will not result in any deduction by the employer.

With respect to NQSOs, (i) no income is realized by an Optionee at the time the Option is granted; (ii) generally, at exercise, ordinary income is realized by the Optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise, and the Optionee's employer is generally entitled to a tax deduction in the same amount subject to applicable tax withholding requirements; and (iii) at sale, appreciation (or depreciation) after the date of

exercise is treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held. Deductions for compensation attributable to NQSOs (or disqualified ISOs) granted to the Company's named executive officers may be subject to the deduction limits of Section 162(m) of the Code, unless such compensation qualifies as "performance-based" as defined therein.

EMPLOYMENT AGREEMENTS

The Company has entered into an employment agreement with Mr. Schwartz, which will expire on April 23, 2001. Beginning April 23, 1996, Mr. Schwartz' initial annual base salary is $956,300, and will be increased annually by the percentage change in a specified consumer price index.

Pursuant to the agreement, if Mr. Schwartz is removed as Chairman of the Board of Directors or as Chief Executive Officer other than for cause, or if his duties, authorities or responsibilities are diminished, or if there is a change of control (as defined to encompass the Company becoming a subsidiary of another company, the acquisition of 35% or more of the voting securities of the Company by a particular stockholder or group, or a change in 35% of the Company's directors at the insistence of the shareholder group), Mr. Schwartz may elect to terminate the agreement. In any such event, or upon his death or disability, Mr. Schwartz will be entitled to receive a lump sum payment discounted at 9% per annum, in an amount equal to his base salary as adjusted for defined consumer price index changes for the remainder of the term, an amount of incentive bonus equal to the highest received by Mr. Schwartz in any of the prior three years, times the number of years (including partial fiscal years) remaining during the term, and an amount calculated to approximate the annual compensation element reflected in the difference between fair market value and exercise price of stock options granted to Mr. Schwartz. All such sums are further increased to offset any tax due by Mr. Schwartz under the excise tax and related provisions of Section 4999 of the Internal Revenue Code.

GTL OPTIONS

On September 12, 1995, Loral granted to each of Mr. Schwartz and six other executives of Loral an option to purchase 20,000 shares of GTL common stock owned by Loral (the "GTL Options"). The GTL Options were granted at an exercise price of $20 per share. The closing price of GTL common stock on the Nasdaq National Market System on September 12, 1995 was $19 per share. The GTL Options were immediately exercisable as of the date of grant, and have a maximum term of 12 years from the date of grant. In the event of the option holder's death, the GTL Options are exercisable by the option holder's estate or beneficiary for a period of one year from the date of death. Loral's obligations under the GTL Options have been assumed by Loral SpaceCom in connection with the Distribution.

On December 12, 1995, Loral granted to each outside director of Loral an option to purchase 20,000 shares of GTL Common Stock owned by Loral at an exercise price of $33.375 per share and otherwise on terms substantially identical to that of the GTL Options described above.

COMPANY PENSION PLAN

The Company adopted a defined benefit pension plan and trust (the "Pension Plan") that is qualified under Section 401(a) of the Code. The Pension Plan will provide retirement benefits for eligible employees of the Company and the Operating Affiliates, including executive officers. The benefit formula for executive officers for the period ending December 31, 1995 will generally provide an annual benefit equal to the greater of (A) or (B), where (A) equals
(i) 1.2% of compensation up to the Social Security Wage Base and 1.45% of compensation in excess of the Social Security Wage Base for each year of participation up to 15 years of employment, plus (ii) 1.5% of compensation up to the Social Security Wage Base and 1.75% of compensation in excess of the Social Security Wage Base for each year of participation in excess of 15 years of employment; and (B) equals (i) 1.2% of average annual compensation paid during 1991-1995 up to the 1995 Social Security Wage Base and 1.45% of average annual compensation paid during 1991-1995 in excess of the 1995 Social Security Wage Base for each year of participation up to 15 years of employment, plus (ii) 1.5% of average annual compensation paid during 1991-1995 up to the 1995 Social Security Wage Base and 1.75% of average annual compensation paid during 1991-1995 in excess of the 1995 Social Security Wage Base for each

year of participation in excess of 15 years of employment. The benefit for periods subsequent to December 31, 1995 will be based on (A) above. Executive officers will also participate in a supplemental executive retirement plan (the "SERP") which provides supplemental retirement benefits due to certain reductions in retirement benefits under the Pension Plan that are caused by various limitations imposed by the Code. Compensation used in determining benefits under the Pension Plan and SERP primarily includes salary and bonus.

The estimated annual benefit upon retirement under the Pension Plan and SERP is $2,421,000 for Mr. Schwartz, $413,000 for Mr. Targoff, $401,000 for Mr. DeBlasio, $177,000 for Mr. Moren and $221,000 for Mr. Zahler. This retirement benefit has been computed assuming that (i) employment with the Company will be continued until normal retirement, or until the expiration of any current employment agreement, if later and (ii) current levels of creditable compensation and the Social Security Wage Base will continue without increases or adjustments throughout the remainder of the computation period.

SUPPLEMENTAL LIFE INSURANCE PROGRAM

The Company maintains a contributory supplemental life insurance program for certain key employees, including Messrs. Schwartz, Targoff, DeBlasio, Moren and Zahler. The program is funded with "split-dollar" or "universal" life insurance policies which were transferred to the Company following the Distribution Date with respect to the Loral employees who became employed by the Company after the Distribution Date. The face amounts of the policies for Messrs. Schwartz, Targoff, DeBlasio, Moren and Zahler are $20,500,000, $1,450,000, $1,060,000, $500,000 and $500,000, respectively.

COMMON STOCK PURCHASE PLAN FOR NON-EMPLOYEE DIRECTORS

The Company's Board of Directors adopted the Common Stock Purchase Plan for Non-Employee Directors (the "Director Plan").

The Director Plan is designed to encourage stock ownership by the Company's nonemployee directors. As of the date of this Information Statement, nine non-employee directors were eligible to participate in the Director Plan.

Under the terms of the Director Plan, each non-employee director of the Company is entitled to make an election to defer up to 100% of his annual fees and have such amounts credited to a deferral account maintained under the plan. Participation in the Director Plan is voluntary and all amounts deferred are fully vested. For purposes of the Director Plan, a "non-employee director" is defined as a member of the Company's Board of Directors who is not an employee of the Company or any affiliate thereof.

The Director Plan will be administered by a committee selected by the Board (the "Committee"). The Committee will interpret the terms and conditions of the Director Plan and shall have all powers necessary to do so. The Committee will furnish to each director participating in the Director Plan, promptly after the end of each calendar year, a statement indicating the amounts credited to the director's deferral account and the status of his account.

The portion of a director's annual fees that he elects to defer will be credited to his deferral account as of the date such fees would otherwise have been paid. The remaining portion of the fee, if any, will be paid to the director in cash in accordance with his election. Amounts so credited during each calendar quarter will be converted on the last day of each calendar quarter (each, a "Director Purchase Date") into a number of "Stock Equivalents" calculated by dividing the amounts so credited by 95% of the fair market value of one share of Common Stock on such date. Upon payment, a non-employee director will receive one share of Common Stock for each Stock Equivalent so credited. With respect to each Stock Equivalent so credited, an amount equal to any dividends declared in respect of a share of Common Stock will be credited to the director's deferral account as of the date such dividends are paid.

A participant in the Director Plan may elect that payments from his deferral account be made in the form of a lump sum or in up to five annual installments commencing on any specific day selected by the participant which is not earlier than six months following the last Director Purchase Date which occurred prior to the

termination of his position as a non-employee director of the Company, and not later than two years following such termination.

Each participant may designate one or more beneficiaries to receive amounts to be distributed from the participant's deferral account. If a participant in the Director Plan dies before payment of his deferral account is completed, the balance remaining in such account will be paid to his beneficiary as soon as practicable following the participant's death.

The Director Plan is not scheduled to expire on any particular date. The Board of Directors may amend, modify, suspend or terminate the Director Plan without the consent of any participants provided that such action may not materially and adversely affect a participant's rights with respect to amounts already credited to his deferral account.

The rights and interests of a participant in the Director Plan may not be transferred, encumbered or alienated other than by the laws of descent and distribution, provided that a participant may designate a beneficiary.

No participant has any of the rights or privileges of a stockholder as a result of his participation in the Director Plan until Common Stock is actually distributed under the plan. Moreover, nothing in the Director Plan confers any right upon any participant in the plan to continue as a member of the Board of Directors. All expenses and costs incurred in connection with the Director Plan will be borne by the Company.

Participants in the Director Plan will generally recognize ordinary income at the time payments are made from their deferral accounts, based on the fair market value of Common Stock and the amount of cash (if any) so paid, and the Company will generally be entitled to a corresponding deduction for tax purposes at such time.

ITEM 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents the number of shares of the Company's common stock beneficially owned by the directors, the named executive officers, and all directors and officers as a group as of May 31, 1996. Individuals have sole voting and investment power over the stock unless otherwise indicated in the footnotes.

NAME OF INDIVIDUAL	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)(2)	PERCENT OF CLASS
Bernard L. Schwartz....................................	3,448,015(3)	1.9%
Michael B. Targoff.....................................	199,027(4)	*
Howard Gittis..	6,000	*
Robert B. Hodes..	20,200(5)	*
Gershon Kekst..	20,000	*
Charles Lazarus..	10,000	*
Malvin A. Ruderman.....................................	32,000(6)	*
E. Donald Shapiro......................................	20,000	*
Arthur L. Simon..	7,000	*
Thomas J. Stanton, Jr.	24,000	*
Daniel Yankelovich.....................................	30,000	*
Michael P. DeBlasio....................................	107,462(7)	*
Nicholas C. Moren......................................	81,710(8)	*
Eric J. Zahler...	82,542(9)	*
All Directors and Executive Officers as a Group (15 persons)..............................	4,131,117(10)	2.3%

* Represents holdings of less than one percent.

(1) Includes shares which, as of May 31, 1996, may be acquired within sixty days upon the exercise of options (which shares are treated as outstanding for the purposes of determining beneficial ownership and computing the percentage set forth); shares held by trusts of which Directors and their wives are trustees; shares held by a trust in which an officer or Director is a trustee; and shares held for the benefit of officers as of April 22, 1996 in the Loral Master Savings Plan (the "Savings Plan").

(2) Except as noted, all shares are owned directly with sole investment and voting power.

(3) Includes 160,000 shares held by Mr. Schwartz' wife and 12,512 shares held in the Savings Plan.

(4) Includes 135 shares held in the Savings Plan.

(5) Includes 200 shares held by a trustee.

(6) Includes 12,000 shares owned jointly with Mr. Ruderman's wife.

(7) Includes 7,462 shares held in the Savings Plan.

(8) Includes 1,310 shares held in the Savings Plan.

(9) Includes 942 shares held in the Savings Plan.

(10) Includes 24,922 shares held in the Savings Plan.

PRINCIPAL SHAREHOLDERS OF THE COMPANY, GTL, SS/L AND K&F AND PRINCIPAL PARTNERS OF GLOBALSTAR

COMPANY

Loral SpaceCom was formed to effectuate the Distribution. After the Distribution, Lockheed Martin holds Series A Preferred Stock representing a 20% fully-diluted equity interest in the Company.

On April 23, 1996 the Company and an affiliate of Lockheed Martin entered into a Shareholders Agreement which establishes, among other things, certain conditions with respect to the relationship between the Company, on the one hand, and Lockheed Martin and its affiliates (the "Subject Shareholders"), on the other hand. The Shareholders Agreement limits the ability of the Subject Shareholders, during the term of the Shareholders Agreement to acquire any voting securities or assets of, or solicit proxies or make a public announcement of a proposal of any extraordinary transaction with respect to, the Company. The Series A Preferred Stock issued to Lockheed Martin may be voted without restriction on all matters submitted to shareholders for approval, except that it may not vote for the election of directors. Subject Shareholders

may vote their shares of common stock on all matters, including the election of directors, except that in the event of

an election contest, the Subject Shareholders have agreed, pursuant to the Shareholders Agreement, that they will, subject to certain exceptions, vote any of the Company's equity securities, at the option of the Subject Shareholders, either (i) as recommended by the Board of Directors or management of the Company, or (ii) in the same proportions as the holders of the Company's equity securities vote their securities. The Shareholders Agreement also limits the ability of the Subject Shareholders to transfer the equity securities of the Company held by the Subject Shareholders except pursuant to a registered public offering. The Shareholders Agreement provides that if, within one year following the date thereof, the Subject Shareholders vote against any transaction involving (i) a merger, consolidation, corporate reorganization or similar transaction or (ii) a sale, lease, exchange, transfer or other disposition of all or substantially all of the assets of the Company or any of its affiliates, in either case between the Company, on the one hand, and SS/L, K&F, GTL, Globalstar and certain other subsidiaries and affiliates of the Company, on the other hand, the Company shall have the right to purchase from the Subject Shareholders all of the equity securities of the Company held by the Subject Shareholders for a price equal to $344 million plus all amounts expended by the Subject Shareholders following the date of the Shareholders Agreement in connection with the acquisition of equity securities (other than acquisitions from another Subject Shareholder) following the date of the Shareholders Agreement minus any net sales proceeds received by the Subject Shareholders following the date of the Shareholders Agreement in connection with the sale of equity securities (other than sales to another Subject Shareholder) following the date of the Shareholders Agreement. The agreement also provides that if, within five years following the date thereof, any transaction occurs involving
(i) a merger, consolidation, corporate reorganization or similar transaction,
(ii) a sale, lease, exchange, transfer or other disposition of all or substantially all of the assets of the Company, Globalstar or any of their respective affiliates or (iii) the liquidation or dissolution of the Company (each of the transactions set forth in clauses (i) through (iii) referred to as a "Triggering Transaction"), in each case, involving as parties, the Company or any of its affiliates, on the one hand, and either GTL or Globalstar or any of their respective subsidiaries on the other hand, Lockheed Martin shall have the right to purchase from the Company (including any successor to the rights and obligations of the Company) a sufficient number of shares of the Company (or such successor) to prevent dilution at a per share price equal to (x) if the Triggering Transaction shall occur on a date prior to the first anniversary thereof, $6.00, subject to antidilution adjustments and (y) if the Triggering Transaction shall occur after the first anniversary, but prior to the fifth anniversary thereof, 80% of the per share price of the Company implicit in the Triggering Transaction. The Shareholders Agreement also provides that in the event of certain transactions, the Subject Shareholders shall have the right to require the Company to purchase the GTL Guarantee Warrants issued to Lockheed Martin at fair market value. The Shareholders Agreement also provides that under certain circumstances involving the repurchase by the Company of its equity securities, the Subject Shareholders will sell to the Company such number of Company equity securities held by them sufficient to reduce the Subject Shareholders' ownership of Company equity securities to 20%, at a price equal to the repurchase price offered by the Company. If the repurchase price is less than the purchase price initially paid by the Subject Shareholders for the Series A Preferred Stock, compounded at 10% per annum, then the Subject Shareholders may, in lieu of selling the securities to the Company, sell them to third parties in the market. The Shareholders Agreement further provides that under certain circumstances and subject to certain conditions the Subject Shareholders may require the Company to register under the Securities Act any Company securities held by the Subject Shareholders. The Company Shareholders Agreement provides, subject to certain exceptions, that, in the event of a tender offer, if Subject Shareholders wish to sell or transfer any Company securities pursuant to the tender offer the Subject Shareholders must first offer the shares for sale to the Company. The term of the Company Shareholders Agreement will continue until the earlier of (x) the date on which the voting power of the equity securities owned by the Subject Shareholders represents, on a fully-diluted basis, less than five percent (5%) of the total voting power,
(y) the tenth anniversary of the date of the agreement, or (z) a change of control the Company.

After the seventh anniversary of the date of the Shareholders Agreement, the Subject Shareholders shall have the right to propose for election to the Board of Directors in opposition to management's nominees the number of directors that is proportionate to the percentage of voting securities of the Company then held by the Subject Shareholders and to vote in favor of their election to the Board.

The Company and Lockheed Martin entered into an Exchange Agreement providing that, in the event that the Company is required to purchase additional shares of SS/L common stock held by the Alliance Partners or the Lehman Partnerships (a "Put Transaction"), and such Put Transaction requires a filing with, or the approval of, any antitrust authorities having jurisdiction over the matter, the parties will cooperate to comply with informational requirements and jointly attempt to resolve any objections raised without any change in Lockheed Martin's ownership interest in the Company. If such a change is nonetheless required to obtain antitrust approval of the Put Transaction, Lockheed Martin will be required to transfer to the Company some or all of the shares of the Company securities beneficially owned by it in exchange for shares of GTL Common Stock or, if the use of GTL Common Stock as consideration is inconsistent with obtaining antitrust approval for the Put Transaction, in exchange for cash. The shares of Company securities so transferred will be valued at the greater of fair market value or the original purchase price thereof in connection with the Distribution, increased at the rate of 10% per annum, compounded annually, from the date of the consummation of the tender offer.

GLOBALSTAR AND GTL

GTL's authorized capital stock consists of 60,000,000 shares of Common Stock. As of May 31, 1996, there were 10,000,000 shares of Common Stock outstanding. Except as set forth below, there are no other persons known to GTL, based upon SEC filings received by the Company, who are beneficial owners of 5% or more of the Common Stock.

NAME AND ADDRESS	SHARES OF COMMON STOCK BENEFICIALLY OWNED	PERCENT OF COMMON STOCK
Loral Space & Communications Ltd. 600 Third Avenue New York, New York 10016	1,674,400(1)	16.74%
Cumberland Associates 1114 Avenue of the Americas New York, New York 10036	621,400(2)	6.21%

(1) Of such amount, 340,000 represent shares of Common Stock subject to options granted by Loral to certain of its executive officers and directors.
(2) As stated in filing with the SEC.

The following table presents the number of shares of GTL common stock beneficially owned by GTL's directors, GTL's named executive officers, and all directors and officers of GTL as a group as of May 31, 1996. Individuals have sole voting and investment power over the stock unless otherwise indicated in the footnotes.

NAME OF INDIVIDUAL	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS
Bernard L. Schwartz	37,600	*%
Michael B. Targoff	24,000	*
Michael P. DeBlasio	24,000	*
Robert B. Hodes	21,000	*
A. Robert Towbin	5,600(2)	*
Douglas G. Dwyre	100	*
Edward Hirshfield	800(3)	*
Anthony J. Navarra	1,000	*
Robert A. Wiedeman	850	*
All Directors and Executive Officers as a Group (16 persons)	160,950	1.6%

* Represents holdings of less than one percent.
(1) Includes shares which, as of May 31, 1996, may be acquired within 60 days upon the exercise of options granted by Loral: 20,000 each to Messrs. Schwartz, Targoff and DeBlasio and Hodes and 120,000 to all Directors and Executive Officers as a group. Mr. Targoff's options are held by a trust to which he disclaims beneficial ownership.

(2) Includes 2,100 shares held in a trust, as to which he disclaims beneficial ownership.

(3) Includes 100 shares owned by Mr. Hirshfield's wife, as to which he disclaims beneficial ownership.

The following table sets forth, as of May 31, 1996, certain information regarding the beneficial ownership of ordinary partnership interests in Globalstar. Globalstar has been involved in ongoing discussions with certain potential strategic partners and other strategic investors regarding transactions involving, among other things, possible investments in Globalstar Ordinary Partnership Interests.

GLOBALSTAR, L.P.(1)

INTEREST	PARTNERSHIP INTERESTS	PERCENTAGE
Loral SpaceCom..	17,412,783(2)	35.8%
Public Stockholders of GTL............................	11,517,907(3)	22.9
Qualcomm..	3,726,000	7.9
Vodafone..	3,540,000	7.5
AirTouch..	3,000,000	6.4
Finmeccanica..	2,800,000	6.0
Hyundai...	2,400,000(4)	5.1
Alcatel...	2,190,000(5)	4.7
DASA..	1,720,000(6)	3.7
France Telecom..	1,530,000(7)	3.2
SS/L..	1,332,540(8)	2.8
Dacom...	600,000(9)	1.3

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(1) Includes impact of the conversion of the Securities and Preferred Partnership Interests issuable in connection therewith and excludes the issuance of the GTL Guarantee Warrants and the Additional Warrants, as such warrants are not exercisable within 60 days. Beneficial ownership of partnership interests has been calculated pursuant to Regulation 13d-3 under the Securities Exchange Act of 1934, as amended, which provides that: "Any securities not outstanding which are subject to such options, warrants, rights or conversion privileges shall be deemed to be outstanding for the purpose of computing the percentage of outstanding securities of the class owned by such person but shall not be deemed to be outstanding for the purpose of computing the percentage of the class by any other person."

(2) Of the amount held by Loral SpaceCom (i) 2,000,000 partnership interests represent Loral SpaceCom's allocable share of the 3,000,000 partnership interests held by Loral/DASA Globalstar, L.P., a joint venture between Loral SpaceCom and DASA which is 66.7% owned by Loral SpaceCom and 33.3% owned by DASA, (ii) 647,460 partnership interests represent Loral SpaceCom's indirect interest in 1,980,000 partnership interests held by SS/L, (iii) 1,674,400 partnership interests represent Loral SpaceCom's holdings of Common Stock of the Company, without giving effect to the grant by Loral SpaceCom to certain of its executive officers and directors of options to acquire an aggregate of 340,000 shares of Common Stock (none of such options have yet been exercised) and (iv) 1,576,923 partnership interests represent the conversion of $102.5 million principal amount Convertible Preferred Equivalent Obligations.

(3) Includes 3,192,307 partnership interests which represent the conversion of the $207.5 million principal amount of Convertible Preferred Equivalent Obligations. Does not include partnership interests attributed to Loral SpaceCom described in note (2)(iii) and (iv) above.

(4) Represents Hyundai's allocable share of the 3,000,000 partnership interests held by Hyundai/Dacom, a joint venture which is 80% owned by Hyundai and 20% owned by Dacom.

(5) Of the amount held by Alcatel, 1,470,000 partnership interests represent Alcatel's allocable share of the 3,000,000 partnership interests held by TESAM, which is 51% owned by France Telecom and 49% owned by Alcatel.

(6) Of the amount held by DASA, 1,000,000 partnership interests represent DASA's allocable share of the 3,000,000 partnership interests held by Loral/DASA Globalstar, L.P.

(7) Represents France Telecom's allocable share of the 3,000,000 partnership interests held by TESAM.

(8) Excludes 647,460 partnership interests attributable to Loral's 32.7% interest in SS/L.

(9) Represents Dacom's allocable share of the 3,000,000 partnership interest held by Hyundai/Dacom.

SS/L

Each of Aerospatiale, Alcatel, Finmeccanica and DASA owns 12.25% of the outstanding common stock of SS/L. While the Company holds, through SS/L Bermuda Ltd., the remaining 51% of the outstanding common stock of SS/L, its effective economic interest in SS/L is 32.7%. 18.3% is effectively held by the Lehman Partnerships which hold tracking stock representing 18.3% of the outstanding capital stock of SS/L Bermuda.

K&F INDUSTRIES

Bernard L. Schwartz owns 27.12% of the capital stock of K&F in the form of Class A common stock. Loral SpaceCom owns 22.5% of K&F's capital stock in the form of Class B common stock. The Lehman Partnerships own 48.17% of K&F's capital stock in the form of preferred

stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

SS/L Agreement and Subcontracts. Globalstar has entered into an agreement with SS/L to design, manufacture, test and launch its satellite constellation. The price of the contract consists of three parts, the first for non-recurring work at a price not to exceed $115.7 million, the second for recurring work at a fixed price of approximately $15.6 million per satellite (including certain performance incentives of up to approximately $1.9 million per satellite) and the third for launch and insurance. SS/L will design, build and launch the 56 satellites in Globalstar's constellation, which are designed to have a minimum life-span of 7 1/2 years. SS/L has agreed to obtain insurance on Globalstar's behalf for the cost of replacing satellites lost in hot failures and any relaunch costs not covered by the applicable launch contract for an estimated premium of $92 million, in certain circumstances subject to an equitable adjustment in light of future market conditions. SS/L has also agreed pursuant to the agreement to obtain launch vehicles and arrange for the launch of Globalstar's satellites on Globalstar's behalf at an estimated total cost of $302 million for all 56 satellites, subject to an equitable adjustment in light of future market conditions, which may, in turn, be influenced by international political developments. Termination by Globalstar of this agreement will result in termination fees, which may be substantial. Such termination fees are generally limited to SS/L's cost incurred and uncancellable obligations under subcontracts and outstanding orders for satellite materials at the time of termination plus a reasonable fee.

Globalstar has granted to SS/L an irrevocable, royalty-free, non-exclusive license to use certain intellectual property expressly developed in connection with the SS/L agreement provided that SS/L will not use, or permit others to use, such license for the purpose of engaging in any business activity that would be in material competition with Globalstar. Globalstar has similarly agreed that it will not license such intellectual property if it will be used for the purpose of designing or building satellites that would be in competition with SS/L.

SS/L has subcontracted the design and integration of the payload modules to Alcatel who will manufacture Globalstar's satellite communication equipment at a fixed price of approximately $208 million, subject to certain adjustments. Subcontracts have also been awarded to Alenia ($202 million) for final assembly, integration and testing of the Globalstar satellites, DASA ($178 million) for providing Globalstar's satellite power propulsion elements and solar arrays, and Aerospatiale ($41 million) for designing and manufacturing the satellite bus structure and communication support panels. Globalstar, SS/L and Hyundai have also entered into a subcontract ($44 million) under which Hyundai will provide certain electronic components for the Globalstar satellites. Globalstar and SS/L have further agreed to support Hyundai in its efforts as a satellite vendor, including providing training and transferring certain technological know-how to Hyundai at a compensation to be agreed upon among the parties.

The agreement provides for liquidated damages to Globalstar in the event SS/L fails to supply the satellites at the times specified in the contract. Liquidated damages of approximately $45,000 are payable by SS/L for each day of delay, subject to an overall cap of approximately $33 million. Such liquidated damages are Globalstar's exclusive remedies in the face of any delay by SS/L in the delivery of the satellites or for any events of default specified in the agreement.

SS/L and its subcontractors have committed $310 million of vendor financing to Globalstar, of which $220 million will be non-interest bearing. Globalstar will repay the non-interest bearing portions as follows: $49 million following the launch and acceptance of 24 or more satellites, $61 million upon the launch and acceptance of 48 or more satellites, and the remainder in equal installments over the five-year period following acceptance of the preliminary and final Globalstar constellations. The remaining $90 million will bear interest, the payment of which will be deferred until the Full Constellation Date or December 31, 1998, whichever is earlier. Thereafter, interest and principal will be repaid in equal quarterly installments during the next five years.

Qualcomm Agreement. Globalstar and Qualcomm have entered into an agreement providing for the design, development, manufacture, installation, testing and maintenance by Qualcomm of four gateways, two ground operations control centers and 100 pre-production Globalstar Phones (the "Qualcomm Segment"). A portion of the GOCC is being developed and manufactured by Globalstar. The contract is a cost-plus-fee

contract that provides for payment to Qualcomm of a 12% fee, along with reimbursement for costs incurred in performing such contract, such as labor, material, travel, license fees, royalties and general administrative expenses. The contract also includes a cost sharing arrangement for certain technologies being developed by Qualcomm. Globalstar estimates the eventual total contract payments to be $350 million. As manager of Globalstar, Loral SpaceCom is bringing its management's substantial experience in the oversight of cost-type contracts to insure that the costs incurred under the Qualcomm agreement are reasonable.

Except for the intellectual property contained in certain software relating to the public switched networks and the GOCCs (excluding any software or technical data contained in Qualcomm's CDMA technology) which will be owned by Globalstar, Qualcomm retains all intellectual property in the Qualcomm Segment. However, Qualcomm has granted Globalstar an exclusive license to use its CDMA technology for MSS commercial applications.

Globalstar has granted to Qualcomm an irrevocable, non-exclusive, worldwide perpetual license to intellectual property owned by Globalstar in the Qualcomm Segment and developed pursuant to the Qualcomm agreement. Qualcomm may, pursuant to such grant, use the intellectual property for applications other than the Globalstar System provided that Qualcomm may not for a period of three years after its withdrawal as a strategic partner or prior to the third anniversary of the Full Constellation Date, whichever is earlier, engage in any business activity that would be in competition with the Globalstar System. The grant of intellectual property to Qualcomm described above is generally royalty free. Under certain specified circumstances, however, Qualcomm will be required to pay a 3% royalty fee on such intellectual property.

Qualcomm has agreed to grant at least one vendor a nonexclusive worldwide license to use Qualcomm's intellectual property to manufacture and sell gateways to Globalstar's service providers. The foregoing licenses will be granted by Qualcomm to one or more such vendors on reasonable terms and conditions, which will in any event not provide for royalty fees in excess of 7% of a gateway's sales price (not including the approximately $400,000 in recoupment expenses payable to Globalstar). Qualcomm has granted a license to manufacture Globalstar Phones to Orbitel and has also agreed to grant similar licenses to at least two additional qualified manufacturers to enable them to manufacture and sell the Globalstar Phones to service providers. On March 23, 1994, a letter agreement was entered into among Qualcomm, Globalstar and Hyundai pursuant to which Hyundai may elect to become a licensee authorized to manufacture and sell Globalstar Phones to service providers. Should Hyundai so elect, it would, for a five year period following Globalstar's In-Service Date, be the exclusive licensee authorized to manufacture and sell such units in South and North Korea.

Globalstar will receive a payment of approximately $400,000 on each installed gateway sold to a Globalstar service provider. Globalstar will also receive up to $10 on each Globalstar Phone, which will be payable until Globalstar's funding of that design has been recovered.

The agreement provides for liquidated damages to Globalstar in the event Qualcomm fails to supply the Qualcomm Segment at the times specified in the contract. Liquidated damages of approximately $29,000 are payable by Qualcomm for each day of delay, subject to an overall cap of approximately $11 million. Such liquidated damages are Globalstar's exclusive remedies in the face of any delay by Qualcomm in the delivery of the Qualcomm Segment or for any other events of default specified in the agreement. Qualcomm's obligation to license the intellectual property necessary to manufacture gateways and Globalstar Phones to Globalstar or a third-party manufacturer will continue even upon a default or breach by Qualcomm under the agreement. Termination by Globalstar of this agreement will result in termination fees, which may be substantial.

Gateway Program. Globalstar and its service provider partners intend to jointly finance the procurement of 25 gateways and long-lead parts for 25 additional gateways for resale to service providers, thereby accelerating the deployment of gateways around the world prior to the In-Service Date. The cost of this program before financing costs is expected to be approximately $160 million, of which Globalstar has agreed to finance approximately $80 million. Globalstar expects to recover its investment in this gateway financing program from such resales.

Qualcomm Support Agreement. A support agreement was entered into among Qualcomm, Loral and Globalstar pursuant to which Qualcomm agreed to (i) assist Globalstar and SS/L with Globalstar's system design, (ii) support Globalstar and Loral with respect to various regulatory matters, including the FCC application and (iii) assist Globalstar and Loral in their marketing efforts with respect to Globalstar. As compensation for its efforts, Qualcomm would be paid an amount equal to the costs incurred in rendering such support and assistance.

Contract for the Development of Satellite Operations Control Centers. Globalstar has entered into an agreement with a subsidiary of Loral (which following the Merger, became a Lockheed Martin subsidiary) for the development and delivery of two SOCCs and 33 Telemetry and Command units for the Globalstar System. This contract is a cost-plus-fee contract with a maximum price of $25.1 million which includes a fee of 12% under the contract, 6% of which would be payable at the time the costs are incurred with the remainder payable upon achievement of certain milestones. Globalstar will own any intellectual property produced under the contract.

Contract for S-Band Beam Forming Network Engineering Model. Globalstar entered into an agreement with a subsidiary of Loral (which, following the Merger, became a Lockheed Martin subsidiary) for an S-Band Beam Forming Network Engineering Model. The contract is a firm fixed-price contract for approximately $463,000.

Consulting Contracts. Globalstar has entered into consulting agreements with Vodafone for approximately $650,000 under which Vodafone will develop Globalstar's security architecture design and billing system requirements. Under a consulting contract estimated at $845,000, a joint venture formed by France Telecom and Alcatel is providing Globalstar with various services including engineering support at WRC '95, quality of services studies and European regulatory support services.

OmniTRACS Services Agreement. Globalstar has granted Qualcomm the worldwide exclusive right to utilize the Globalstar System to provide OmniTRACS-like services, including certain data-messaging and position-determination services offered by Qualcomm, primarily to fleets of motor vehicles and rail cars and/or vessels and supervisory control and data acquisition services. Qualcomm will utilize the Globalstar System in particular territories to provide its OmniTRACS-like services if the Globalstar service provider in such region or country offers pricing that is the most favorable rate charged by it for a comparable service and that is at least as favorable as the pricing then charged to Qualcomm for geostationary satellite capacity in the United States. In the event Qualcomm and the service provider fail to reach an agreement with respect to such access, Globalstar has agreed to provide Qualcomm with access to the Globalstar System at Globalstar's most favorable rates. To the extent consistent with Qualcomm's prior commitments, Qualcomm has also agreed to offer each Globalstar service provider certain rights of first refusal to participate with Qualcomm in the provision of OmniTRACS-like services using the Globalstar System in the service provider's territory.

Office Leases. Globalstar currently leases approximately 56,000 square feet of office space from a subsidiary of Lockheed Martin at a cost of approximately $72,000 per month. This space is leased pursuant to an agreement that expires in August 2000 (with an option to extend for two additional five year periods). Globalstar paid a total of $650,000 and $275,000, for the calendar years 1995 and 1994, respectively, under such lease.

Conflicts of Interest. The Globalstar partnership agreement provides that Globalstar cannot enter into any agreement involving amounts in excess of $1,000,000 with any partner, any strategic partner (including any direct or indirect corporate parent of such partner or strategic partner), any Alliance Partner or any of their respective affiliates unless the terms and conditions of such transaction have been first approved by a vote of the disinterested partners.

Guarantee Fee and Warrants. On December 15, 1995, Globalstar entered into the Globalstar Credit Agreement providing for a $250 million credit facility. Following the consummation of the Merger, Lockheed Martin guaranteed $206.3 million of Globalstar's obligation under the Globalstar Credit Agreement, and SS/L and certain other Globalstar strategic partners guaranteed $11.7 million and $32 million, respectively, of

Globalstar's obligation. In addition, Loral SpaceCom has agreed to indemnify Lockheed Martin for liability in excess of $150 million under Lockheed Martin's guarantee of the Globalstar Credit Agreement.

In connection with such guarantees and indemnity of the Globalstar Credit Agreement, GTL issued to Loral SpaceCom, Lockheed Martin, SS/L and the other strategic partners participating in such guarantee or indemnity, warrants (the "GTL Guarantee Warrants") to purchase 4,185,318 shares of GTL common stock. The GTL Guarantee Warrants have an exercise price of $26.50, are subject to certain vesting requirements, expire on April 19, 2003, are not exercisable until six months after Globalstar commences initial operations unless accelerated at the sole discretion of the managing general partner of Globalstar and may not be transferred to third parties prior to such exercise date. In connection with the issuance of GTL Guarantee Warrants, GTL received (i) warrants to acquire 4,185,318 ordinary partnership interests in Globalstar plus (ii) additional warrants (the "Additional Warrants") to purchase an additional 1,131,168 ordinary partnership interests, on terms and conditions generally similar to those of the GTL Guarantee Warrants. In addition, Globalstar has also agreed to pay to Loral SpaceCom and the other guaranteeing partners a fee equal to 1.5% per annum of the average quarterly amount outstanding under the Globalstar Credit Agreement (the "Guarantee Fee").

Globalstar Managing Partner's Allocation and Distribution. Commencing on the In-Service Date, Globalstar will make distributions to LQSS equal to 2.5% of Globalstar's revenues up to $500 million plus 3.5% of revenues in excess of $500 million. Loral SpaceCom and Qualcomm ultimately will receive 80% and 20% of such distribution, respectively. Should Globalstar incur a net loss in any year following commencement of operations, the distribution for that year will be reduced by 50% and Globalstar will be reimbursed for Managing Partner's Allocations, if any, made in any prior quarter of such year, sufficient to reduce the Managing Partner's Allocation for such year by 50%. Any Managing Partner's Allocation may be deferred (with interest at 4% per annum) in any quarter in which Globalstar would report negative cash flow from operations if the Managing Partner's Allocation were made.

LQSS has a right to a preferred allocation of gross operating revenue until such allocated revenue cumulatively equals LQSS's distributions payable (whether or not deferred for a shortfall in cash flow from operations). To the extent that distributions exceed such allocated profit, they will be charged against LQSS's capital account and will not be allocated among the Globalstar partners as a Globalstar expense.

Relationship with SS/L's Alliance Partners. In 1991 and 1992, Loral sold 49% of SS/L's equity to the Alliance Partners and in connection therewith entered into a stockholders agreement (the "SS/L Stockholders Agreement") governing the relationship among the parties thereto. Under the SS/L Stockholders Agreement, a change of control of Loral Corporation within the meaning of such agreement would provide each of the Alliance Partners with the right to (i) put their equity interests back to SS/L at fair market value, or
(ii) purchase a pro rata share of Loral's equity interest in SS/L for fair market value (subject to receiving certain authorizations including U.S. government approval) and would terminate SS/L's obligations to pay the management fees described below. While it is not certain that the change of control provisions are applicable, the Company and SS/L are seeking an amendment to the stockholders agreement acknowledging the transfer of Loral's interests in SS/L to Loral SpaceCom that occurred in connection with the Distribution, a waiver of any applicable put and purchase option rights and certain changes relating to management fees and reimbursement of expenses. In the event that any of SS/L's Alliance Partners put their interests back to SS/L, SS/L would thereby have the right to put such interests to Loral SpaceCom. The Company does not expect all the Alliance Partners to exercise their put rights in connection with the Distribution, but, if all such put rights were exercised, the Company believes its obligations pursuant to these rights would be less than $250 million.

In return for managing and operating SS/L, the Company is entitled to receive an annual management fee consisting of (i) a basic management fee equal to (a) 0.5% of SS/L's total sales for the fiscal year minus SS/L's total purchases of certain non-standard equipment and (b) 1.5% of the aggregate purchases by SS/L from the Alliance Partners of products or services for such fiscal year (such basic management fee not to exceed 0.5% of SS/L's gross sales for such fiscal year) and (ii) an incentive management fee equal to (x) 0.5% of SS/L's gross sales if SS/L's profit margin equals or exceeds 10.5% or (y) 0.25% of SS/L's gross sales if SS/L's profit margin equals 7% or (z) a percentage determined by linear interpolation between 0.25%

and 0.5% of SS/L's gross sales if the profit margin is between 7% and 10.5%. In addition to the management fee, SS/L is obligated to pay to the Company, subject to certain limitations, the amount of corporate overhead which the Company allocates to SS/L as required by applicable United States government accounting regulations.

SS/L and the Alliance Partners have agreed to enter into teaming arrangements with respect to proposals or bids submitted either by SS/L or the Alliance Partners to certain customers. Subject to commercial practicability, such arrangements are intended to provide for a certain level of subcontractor participation by the Alliance Partners in programs for which SS/L serves as prime contractor and a certain level of subcontractor participation by SS/L in programs for which one of the Alliance Partners serves as prime contractor. Through these teaming arrangements, SS/L expects to achieve a greater presence in new markets in Europe and other regions and to significantly increase the volume of its participation in the construction of commercial satellites.

Relationship with Lehman Partnerships. The Lehman Partnerships exchanged their Series S preferred stock in the holding company that held 51% of SS/L for Series S Preferred Stock (the "Series S Preferred Stock") of SS/L Bermuda pursuant to a stockholders agreement (the "SS/L Bermuda Stockholders Agreement") among the Company, SS/L Bermuda and the Lehman Partnerships. The SS/L Bermuda Stockholders Agreement restricts transfers of the Series S Preferred Stock and SS/L Bermuda's common stock of SS/L (the "SS/L Common Stock"), and provides rights to purchase and requires the purchase of the Series S Preferred Stock in certain events. SS/L Bermuda is a holding company whose assets consist of 51% of the outstanding shares of SS/L Common Stock and a 22.5% equity interest in K&F. The shares of Series S Preferred Stock held by the Lehman Partnerships represent an effective 18.3% interest in SS/L.

The terms of the Series S Preferred Stock provide that each share of Series S Preferred Stock issued by SS/L Bermuda is entitled to receive all cash dividends and other distributions of property as are received by SS/L Bermuda with respect to SS/L on a pro rata basis. The Series S Preferred Stock will not have any voting right with respect to SS/L. The Series S Preferred Stock will vote together with the common stock of SS/L Bermuda, with each share being entitled to one vote.

The SS/L Bermuda Stockholders Agreement requires the Company to provide written notice to the Lehman Partnerships of certain actions taken by SS/L. Such actions include mergers, material acquisitions or divestitures, certain changes in the capital stock of SS/L, incurrence of material indebtedness or liens, certain transactions with affiliates, appointment of any successor to the Chairman of the Board of Directors or Chief Executive Officer of SS/L and settlement of material claims. If SS/L takes one of these actions, the Lehman Partnerships may require the Company to purchase the Series S Preferred Stock then held by the Lehman Partnerships at a per share purchase price equal to at least the appraised fair market value of the common stock of SS/L Bermuda.

Commencing on the earlier of a change of control and January 1, 1998, the Lehman Partnerships will have the option to require the Company to purchase all of the Series S Preferred Stock then held by the Lehman Partnerships at a fair market value. In addition, the Lehman Partnerships will be entitled to require the Company to purchase all other securities and assets (other than cash) distributed to the Lehman Partnerships in respect of the Series S Preferred Stock. The Lehman Partnerships also have a special put option with respect to their Series S Preferred Stock upon the failure by SS/L to maintain its security clearance.

K&F Convertible Debentures. In September, 1994, the Company exchanged the $30 million 14.75% pay-in-kind Subordinated Convertible Debenture due 2004 (the "Debenture") issued in 1989 by K&F in connection with the purchase by K&F of certain divisions of Loral. The Debenture was exchanged for $11.5 million in cash, net of expenses, and 458,994 shares of Class B common stock of the company representing 22.5% of the outstanding capital stock of the company. Bernard L. Schwartz, Chairman and Chief Executive Officer of the Company, holds 27.12% of the outstanding shares of capital stock of K&F.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements

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(a) 3. Exhibits

Exhibits 10.11 through 10.13 are management compensation plans.

EXHIBIT NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of January 7, 1996, among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation+
2.2	Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General partner, Inc., Loral Globalstar L.P., Loral Globalstar Limited, the Registrant and Lockheed Martin Corporation+
2.3	Amendment to Merger Agreement***
2.4	Amendment to Distribution Agreement***
3.1	Memorandum of Association of Registrant+
3.2	Form of Memorandum of Increase of Share Capital+
3.3	Amended and Restated Bye-laws of Registrant***
4	Rights Agreement+

EXHIBIT NUMBER	DESCRIPTION
10.1	Tax Sharing Agreement***
10.2	Shareholders Agreement between the Registrant and Loral Corporation***
10.3	SS/L Stockholders Agreement+
10.4	Lehman Stockholders Agreement***
10.5	Amended and Restated Agreement of Limited Partnership of Globalstar, L.P.*
10.6	Subscription Agreements by and between Globalstar, L.P. and each of Globalstar Telecommunications Limited, AirTouch Communications, Alcatel Spacecom, Loral General Partner, Inc., Hyundai/Dacom, Vodastar Limited, Loral/Qualcomm Satellite Services, L.P. and Finmeccanica S.p.A.*
10.7	Service provider agreements by and between Globalstar, L.P. and each of AirTouch Satellite Services, Finmeccanica S.p.A., Loral General Partner, Inc., Loral/DASA Globalstar, L.P., Hyundai/Dacom, TE.SA.M and Vodastar Limited*
10.8	Development Agreement by and between QUALCOMM Incorporated and Globalstar, L.P.*
10.9	Contract between Globalstar, L.P. and Space Systems/Loral, Inc.*
10.10	Credit Agreement among Globalstar, L.P. and various banks and Loral Guarantee+
10.11	Registrant's 1996 Stock Option Plan+
10.12	Registrant's Common Stock Purchase Plan for Non-Employee Directors+
10.13	Employment Agreement between the Registrant and Bernard L. Schwartz+
10.14	Exchange Agreement among the Registrant, Lockheed Martin Corporation and Loral Corporation***
10.15	Amendment to Partnership Agreement of Globalstar, dated March 6, 1996***
10.16	Amendment of Globalstar Credit Agreement***
10.17	Lockheed Martin Guarantee***
20	Documents or Statements to Shareholders**
21	List of Subsidiaries of the Registrant***
27	Financial Data Schedule***

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*Incorporated by reference to the Registration Statement on Form S-1 filed by Globalstar Telecommunications Limited (File No. 33-86808).

**Incorporated by reference to Loral's Solicitation/Recommendation Statement on Schedule 14D-9 dated January 12, 1996.

***Filed herewith.

+Incorporated by reference to the Registration Statement on Form 10 filed by the Company. (1-14180)

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LORAL SPACE & COMMUNICATIONS LTD.

By: BERNARD L. SCHWARTZ

Bernard L. Schwartz
(Chairman of the Board and
Chief Executive Officer)
Date: June 28, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
BERNARD L. SCHWARTZ Bernard L. Schwartz	Chairman of the Board, Chief Executive Officer and Director	June 28, 1996
HOWARD GITTIS Howard Gittis	Director	June 28, 1996
Robert B. Hodes	Director	
Gershon Kekst	Director	
CHARLES LAZARUS Charles Lazarus	Director	June 28, 1996
Malvin A. Ruderman	Director	
E. DONALD SHAPIRO E. Donald Shapiro	Director	June 28, 1996
ARTHUR L. SIMON Arthur L. Simon	Director	June 28, 1996
THOMAS J. STANTON JR. Thomas J. Stanton Jr.	Director	June 28, 1996
DANIEL YANKELOVICH Daniel Yankelovich	Director	June 28, 1996
MICHAEL P. DEBLASIO Michael P. DeBlasio	Principal Financial Officer	June 28, 1996
HARVEY B. REIN Harvey B. Rein	Principal Accounting Officer	June 27, 1996

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Loral Space & Communications Ltd.:

We have audited the accompanying balance sheet of Loral Space & Communications Ltd. (a Bermuda company) as of March 31, 1996. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such balance sheet presents fairly, in all material respects, the financial position of Loral Space & Communications Ltd. as of March 31, 1996, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New York, New York
June 27, 1996

LORAL SPACE & COMMUNICATIONS LTD.

BALANCE SHEET
MARCH 31, 1996
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

ASSETS	
Cash	$12
Total assets	$12
SHAREHOLDER'S EQUITY	
Commitments and contingencies (Note 3)	
Shareholders' equity (Note 2):	
Series A convertible preferred stock, $.01 par value; 150,000,000 shares authorized and unissued	$--
Series B preferred Stock, $.01 par value; 750,000 shares authorized and unissued	--
Common stock, $.01 par value; 750,000,000 shares authorized, 12,000 shares issued and outstanding	--
Paid-in capital	12
Retained earnings	--
Total shareholder's equity	$12

See notes to balance sheet.

NOTES TO BALANCE SHEET

1. FORMATION OF LORAL SPACE & COMMUNICATIONS LTD.

Loral Space & Communications Ltd. ("Loral SpaceCom" or the "Company") manages and is the largest equity owner of both Globalstar, L.P. ("Globalstar") and Space Systems/Loral, Inc. ("SS/L") (together, the "Operating Affiliates"). The Company will also act as a Globalstar service provider in Canada, Brazil and Mexico, and is evaluating additional satellite-based service opportunities. Loral SpaceCom was formed to effectuate the distribution of Loral Corporation's ("Loral") space and telecommunications businesses (the "Distribution") to shareholders of Loral and holders of options to purchase Loral common stock pursuant to a merger agreement (the "Merger") dated January 7, 1996 between Loral and Lockheed Martin Corporation ("Lockheed Martin").

The Distribution of approximately 183.6 million shares of Loral SpaceCom common stock was made on April 23, 1996 (the "Distribution Date"). In connection with the Distribution, Lockheed Martin contributed $612 million in cash to the Company. Of the amount contributed, $344 million represented the purchase of a 20% fully-diluted equity interest in the Company in the form of Loral SpaceCom Series A Convertible Preferred Stock. Such stock is subject to certain voting limitations, restrictions on transfer and standstill provisions. The Company has invested its $612 million in marketable securities pending investment in the Company's satellite telecommunications programs and opportunities. The Company also holds $102.5 million principal amount of Globalstar Telecommunications Limited ("GTL") 6 1/2% Convertible Preferred Equivalent Obligations and a minority non-controlling equity investment in K&F Industries, Inc. ("K&F").

On January 12, 1996 Loral SpaceCom was incorporated as an exempted company under the Companies Act 1981 of Bermuda. As of March 31, 1996, the only transaction of Loral SpaceCom was the sale of 12,000 shares of common stock to Loral. Accordingly, no statement of operations or of cash flows have been presented. As a result of the Distribution, the financial statements of the space and communications operations of Loral (presented herein) will become the historical financial statements of the Company.

The following unaudited pro forma condensed balance sheet information gives effect to the Distribution and the purchase of GTL's Convertible Preferred Obligations as if they had occurred as of March 31, 1996, and includes both the Space and Communications Operations of Loral as well as the transfer of other assets of Loral to Loral SpaceCom (in thousands):

Cash and equivalents	$ 612,286
Investment in affiliates	341,697
Total assets	1,001,638
Shareholders' equity	988,638

The following unaudited pro forma statement of operations information gives effect to the Distribution as if it had occurred at the beginning of fiscal 1996, and includes both the Space and Communications Operations of Loral and estimated additional corporate expenses which would have been incurred on a stand-alone basis, however, in accordance with SEC regulations, no interest income has been reflected on the anticipated cash balances of the Company (in thousands):

Management fee from affiliate	$ 5,608
Loss before income taxes and equity in net loss of affiliates	15,413
Equity in net loss of affiliates	16,936
Net loss	32,349

The pro forma financial information has been prepared in accordance with SEC regulations and may not be indicative of the results of operations that actually would have occurred if the Distribution had been in effect on the dates indicated or results that may be obtained in the future.

2. SHAREHOLDERS' EQUITY

Loral SpaceCom has authorized 150,000,000 shares of Series A Convertible Preferred Stock and 750,000 shares of Series B Preferred Stock. Significant terms of the Series A include voting rights restricted to only selected matters such as merger, liquidation or sale of the company; a liquidation preference of $.01 per share prior to pro rata participation with the Common Stock; and the ability to convert to Common Stock upon the receipt of certain antitrust clearance or upon sales to an unaffiliated third party. The Series B Preferred Stock will, if issued, be junior to any other series of Preferred Stock which may be authorized and issued.

Loral SpaceCom has reserved 12,000,000 shares of Common Stock for future grants of options to purchase shares of stock at fair market value as of the grant date.

3. CREDIT GUARANTEE AND OTHER COMMITMENTS

Under the Merger Agreement, Loral SpaceCom assumed certain commitments and contingencies associated with the Loral Corporation -- Space & Communications Operations, as described below.

On December 15, 1995, Globalstar entered into a $250,000,000 credit agreement (the "Credit Agreement") with a group of banks. Following the consummation of the Merger, Lockheed Martin guaranteed $206.3 million of Globalstar's obligation under the Globalstar Credit Agreement, and SS/L and certain other Globalstar strategic partners guaranteed $11.7 million and $32 million, respectively, of Globalstar's obligation. In addition, Loral SpaceCom has agreed to indemnify Lockheed Martin for liability in excess of $150 million under Lockheed Martin's guarantee of the Globalstar Credit Agreement.

In connection with such guarantees and indemnity of the Globalstar Credit Agreement, GTL issued to Loral SpaceCom, Lockheed Martin, SS/L and the other strategic partners participating in such guarantee or indemnity, warrants (the "GTL Guarantee Warrants") to purchase an aggregate of 4,185,318 shares of GTL common stock, of which Loral SpaceCom received a warrant to purchase 942,428 shares. The GTL Guarantee Warrants have an exercise price of $26.50, are subject to certain vesting requirements, expire on April 19, 2003, are not exercisable until six months after Globalstar commences initial operations unless accelerated at the sole discretion of the managing general partner of Globalstar and may not be transferred to third parties prior to such exercise date. In connection with the issuance of GTL Guarantee Warrants, GTL received (i) warrants to acquire 4,185,318 ordinary partnership interests in Globalstar plus
(ii) additional warrants (the "Additional Warrants") to purchase an additional 1,131,168 ordinary partnership interests, on terms and conditions generally similar to those of the GTL Guarantee Warrants. In addition, Globalstar has also agreed to pay Loral SpaceCom and the other guaranteeing partners a fee equal to 1.5% per annum of the average quarterly amount outstanding under the Globalstar Credit Agreement.

Under a shareholders agreement among SS/L's equity investors, a change of control of Loral SpaceCom within the meaning of such agreement would provide each of SS/L's equity investors other than Loral SpaceCom (the "Alliance Partners") with the right to (i) put their equity interests back to SS/L at fair market value, or (ii) purchase a pro rata share of Loral SpaceCom's equity interest in SS/L for fair market value (subject to receiving certain authorizations including U.S. government approval). In the event that any of SS/L's Alliance Partners put their interests back to SS/L, Loral SpaceCom will acquire such interests.

Certain partnerships affiliated with Lehman Brothers Inc. (the "Lehman Partnerships") hold Series S Preferred Stock of a Loral SpaceCom subsidiary. Each share of Series S Preferred Stock represents a beneficial interest in one share of common stock of SS/L. If the Lehman Partnerships continue to hold the Series S Preferred Stock after January 1, 1998, or after a change in control of Loral SpaceCom, they will have the right to request that the Company purchase their Series S Preferred Stock at fair market value. In such event, the Company may elect to purchase such Series S Preferred Stock at fair market value, or if the Company elects not to purchase the stock, the Lehman Partnerships may require the combined interests of the Company and the Lehman Partnerships in SS/L to be sold to a third party.

The Company adopted a defined benefit pension plan to provide retirement benefits to eligible employees of the Company and its Operating Affiliates. The plan will receive the assets and assume the obligations of such employees currently held by other benefit plans of Loral.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of
Directors of Loral Corporation:

We have audited the accompanying combined balance sheets of the Space & Communications Operations of Loral Corporation as of March 31, 1996 and 1995, and the related combined statements of operations and invested equity and of cash flows for each of the three years in the period ended March 31, 1996. These financial statements are the responsibility of Loral Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Space & Communications Operations of Loral Corporation at March 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
June 27, 1996

LORAL CORPORATION -- SPACE & COMMUNICATIONS OPERATIONS

COMBINED BALANCE SHEETS
(IN THOUSANDS)

	MARCH 31, 1996	MARCH 31, 1995
ASSETS		
Investment in affiliates	$339,272	$250,977
Other assets	9,800	--
Deferred income taxes	5,312	842
Total assets	$354,384	$251,819
LIABILITIES AND INVESTED EQUITY		
Commitments and contingencies (Note 7)		
Invested equity	$354,384	$251,819
Total liabilities and invested equity	$354,384	$251,819

See notes to combined financial statements.

LORAL CORPORATION -- SPACE & COMMUNICATIONS OPERATIONS

COMBINED STATEMENTS OF OPERATIONS AND INVESTED EQUITY
(IN THOUSANDS)

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
Management fee from affiliate	$ 5,608	$ 3,169	$ 2,981
Allocated costs and expenses, net	(3,021)	(3,202)	(2,583)
Gain on exchange of affiliate's debentures		11,514	
Allocated interest expense	(10,524)	(9,456)	(8,253)
Income (loss) before income taxes and equity in net income (loss) of affiliates	(7,937)	2,025	(7,855)
Provision (benefit) for income taxes	(2,780)	910	(2,987)
Income (loss) before equity in net income (loss) of affiliates	(5,157)	1,115	(4,868)
Equity in net income (loss) of affiliates	(8,628)	(8,988)	1,174
Net loss	(13,785)	(7,873)	(3,694)
Invested equity -- beginning of year	251,819	159,198	137,017
Advances from Loral Corporation	116,350	100,494	25,875
Invested equity -- end of year	$354,384	$251,819	$159,198

See notes to combined financial statements.

LORAL CORPORATION -- SPACE & COMMUNICATIONS OPERATIONS

COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net loss	$ (13,785)	$ (7,873)	$ (3,694)
Equity in net loss (income) of affiliates	8,628	8,988	(1,174)
Tax benefit of Globalstar partnership losses	8,308	7,083	
Deferred income taxes	(4,470)	(5,123)	4,281
Gain on exchange of affiliate's debentures		(11,514)	
Net cash used in operating activities	(1,319)	(8,439)	(587)
Investing activities:			
Payment for Globalstar option territory	(9,800)		
Cash received on exchange of affiliate's debentures		11,514	
Investment in affiliates	(105,231)	(103,569)	(25,288)
Net cash (used in) provided by investing activities	(115,031)	(92,055)	(25,288)
Financing activities:			
Advances from Loral Corporation	116,350	100,494	25,875
Net cash provided by financing activities	116,350	100,494	25,875
Net change in cash	$ --	$ --	$ --

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. FORMATION OF LORAL SPACE & COMMUNICATIONS LTD.

Loral Space & Communications Ltd. ("Loral SpaceCom" or the "Company") manages and is the largest equity owner of both Globalstar, L.P. ("Globalstar") and Space Systems/Loral, Inc. ("SS/L") (together the "Operating Affiliates"). The Company will also act as a Globalstar service provider in Canada, Brazil and Mexico, and is evaluating additional satellite-based service opportunities. Loral SpaceCom was formed to effectuate the distribution of Loral Corporation's ("Loral") space and telecommunications businesses (the "Distribution") to shareholders of Loral and holders of options to purchase Loral common stock pursuant to a merger agreement (the "Merger") dated January 7, 1996 between Loral and Lockheed Martin Corporation ("Lockheed Martin").

The Distribution of approximately 183.6 million shares of Loral SpaceCom common stock was made on April 23, 1996 (the "Distribution Date"). In connection with the Distribution, Lockheed Martin contributed $612 million in cash to the Company. Of the amount contributed, $344 million represented the purchase of a 20% fully-diluted equity interest in the Company in the form of Loral SpaceCom Series A Convertible Preferred Stock. Such stock is subject to certain voting limitations, restrictions on transfer and standstill provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined financial statements reflect that portion of the space and communications assets and operations (the "Space & Communications Operations") included in Loral's historical financial statements that will be spun-off to Loral SpaceCom.

Certain other non-operating assets of Loral were distributed to Loral SpaceCom on the Distribution Date. However, those assets, consisting of certain fixed assets and other miscellaneous assets, have not been included in the accompanying financial statements since those assets have been principally used in the Loral operations acquired by Lockheed Martin.

Investment in Affiliates

Investment in affiliates are accounted for using the equity method. Income and losses of the affiliates are recorded based on Loral's beneficial ownership interests. Intercompany profits arising from transactions between affiliates are eliminated to the extent of the Company's beneficial interests. Equity in losses of affiliates is not recognized after the carrying value has been reduced to zero, unless guarantees or other obligations exist.

Allocation of Certain Expenses

The Space & Communications Operations as presented herein, include allocations and estimates of certain expenses of Loral based upon estimates of actual services performed by Loral. The amount of corporate office expenses reflected in these financial statements have been estimated based primarily on the allocation methodology prescribed by government regulations pertaining to government contractors, which management of Loral believes to be a reasonable allocation method. However, the financial position and results of operations, as presented herein may not be the same as would have occurred had the Space & Communications Operations been an independent entity.

Interest Expense

Interest has been allocated to the Space & Communications Operations based upon Loral's historical weighted average debt cost applied to the average investment in affiliates for each period, which management

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) of Loral believes to be a reasonable allocation method. Interest related to the investment in Globalstar prior to the commencement of operations has been capitalized.

Income Taxes

The Space & Communications Operations are included in the consolidated U.S. Federal income tax return and certain combined and separate state and local income tax returns of Loral. However, for purposes of these financial statements, the provision (benefit) for income taxes is computed as if the Space and Communications Operations were a separate taxpayer; accordingly, the provision (benefit) for income taxes is based upon reported income (loss) before income taxes. Current income tax liabilities (benefits) are considered to have been paid (received) by Loral and are recorded through the invested equity account with Loral. Deferred income taxes reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial and income tax reporting and are measured by applying tax rates in effect at the end of each year.

3. INVESTMENT IN AFFILIATES

Investment in affiliates is summarized as follows (in thousands):

	MARCH 31, 1996	MARCH 31, 1995
SS/L	$144,051	$140,007
Globalstar	195,221	110,970
K&F	22,937	24,290
Deferred K&F gain	(22,937)	(24,290)
	$339,272	$250,977

Equity in net income (loss) of affiliates consists of (in thousands):

	YEARS ENDED MARCH 31, 1996	1995	1994
SS/L	$ 4,044	$ 1,816	$1,174
Globalstar	(20,980)	(17,887)	
Tax benefit of Globalstar partnership losses	8,308	7,083	
	$ (8,628)	$ (8,988)	$1,174

GLOBALSTAR

In March 1994, Loral and seven other partners made capital commitments totaling $275,000,000 to Globalstar, a limited partnership of which Loral is the managing general partner, which plans to design and

3. INVESTMENT IN AFFILIATES (CONTINUED) operate a worldwide satellite-based telecommunications system (the "Globalstar System"). On January 31, 1995, the U.S. Federal Communications Commission issued a license to construct, launch and operate the Globalstar System. The Globalstar System, consisting of 48 low-earth-orbit satellites and 8 in-orbit spares, will offer voice, data, paging and geolocation services to both handheld and fixed terminals. Loral as the managing general partner of Globalstar is entitled to receive a managing partner's allocation, upon commencement of commercial operations, determined in accordance with the partnership agreement.

At March 31, 1994, Loral had an effective 42% equity interest in Globalstar and had a total capital commitment of $107,000,000, of which $25,288,000 had been funded. The remaining commitment was funded in two installments, in November 1994 and March 1995.

At March 31, 1996 and 1995, Loral has a 32.3% interest in Globalstar. In fiscal 1995, Globalstar received $479,500,000 in equity from Loral and Globalstar's other partners including GTL, a public company that acts as a general partner of Globalstar. Loral has contributed $126,816,000 to Globalstar, including $32,316,000 for 1,674,400 shares of common stock of GTL. At March 31, 1996, the market value, based on the last reported sales price of Loral's GTL common shares was $88,743,200. As a result Loral has an effective ownership of 15,188,400 ordinary partnership interests of the total 47,000,000 Globalstar ordinary partnership interests outstanding. In March 1996, Loral purchased $100,000,000 principal amount of GTL 6 1/2% Convertible Preferred Equivalent Obligations for $97,000,000. The GTL Convertible Preferred Equivalent Obligations must be redeemed by GTL on March 1, 2006 and may be converted, at Loral's option, at any time into 1,538,461 shares of GTL common stock. At March 31, 1996, Loral's investment in Globalstar of $195,221,000 includes $10,272,000 of capitalized costs, principally interest, and is net of Loral's share of Globalstar's cumulative pre-tax losses of $38,867,000.

In September 1995, Loral, in its capacity as managing general partner, granted certain directors and officers options to purchase 340,000 shares of the GTL Common Stock owned by Loral at a weighted average exercise price of $27.87 (such prices were greater than or equal to the market price at grant date). Such options are immediately exercisable, and expire 12 years from date of grant: no options were exercised or cancelled during the year.

Globalstar has awarded SS/L the prime contract to design, construct and launch the satellite constellation. SS/L has awarded and expects to award subcontracts to third parties, including other investors in Globalstar, for substantial portions of its obligations under the contract. Through SS/L, Loral has an additional 1.4% indirect interest in Globalstar.

The Globalstar System has an estimated total cost of $2.2 billion for capital expenditures, development costs and operating costs through the end of 1998, when full commercial service is scheduled to commence. Globalstar has obtained a total of $1.4 billion of financing through March 31, 1996, consisting of $480 million of equity, $310 million of vendor financing, a $250 million bank credit facility, commitments for $33 million of service provider advance payments, net proceeds of $290 million from the sale of GTL 6 1/2% Convertible Preferred Equivalent Obligations (the "Securities") and on April 3, 1996, an additional $9.7 million net proceeds from the additional sale of the Securities. Globalstar estimates that it will require an additional $414 million to complete its external financing requirements and that its remaining financing requirement will come from a combination of sources, including advance payments from service providers, anticipated payments associated with the sale of Globalstar Phones and gateways, placements of limited partnership interests with new and existing strategic investors and from net service revenues from initial operations.

3. INVESTMENT IN AFFILIATES (CONTINUED) SS/L

SS/L, a company owned by Loral and four international aerospace and communications companies (the "Alliance Partners"), designs and produces geosynchronous and low-earth orbit satellites and subsystems for communications, remote earth sensing and direct-to-home broadcast television. Loral, through its wholly owned subsidiaries Loral Aerospace Holdings, Inc. ("LAH") and Loral Aerospace Corp. ("Loral Aerospace"), owns 51% of the common stock of SS/L. Certain partnerships affiliated with Lehman Brothers Holdings Inc. (the "Lehman Partnerships") own 627.3 shares of LAH Series S Preferred Stock. Each share of Series S Preferred Stock represents a beneficial interest in one share of common stock of SS/L.

Due to the LAH Series S Preferred Stock held by the Lehman Partnerships, Loral has an effective 32.7% economic interest in SS/L. Further, LAH and Loral Aerospace have agreed not to cause SS/L to take certain actions without the concurrence of three, or in some cases all, of the SS/L directors appointed by the four other equity investors. Accordingly, Loral accounts for its investment in SS/L under the equity method.

K&F

In 1989, Loral sold certain of its divisions to K&F for cash of $430,000,000 and a $30,000,000 14.75% pay-in-kind Subordinated Debenture due 2004 (the "Debenture"). K&F was formed specifically to effect the purchase of these divisions through the issuance of approximately $400,000,000 of debt, including the Debenture, and $65,000,000 of equity. Because K&F was highly-leveraged, uncertainties existed at the time regarding the ultimate collectibility of the Debenture and, accordingly, Loral deferred any gain recognition from the sale relating to the Debenture, as well as any pay-in-kind interest earned on the Debenture. In September 1994, the Debenture was exchanged for $11,514,000 in cash, net of expenses, and a 22.5% voting equity interest in K&F. The cash proceeds were recorded as a non-recurring gain representing the receipt of sale proceeds deferred in the 1989 transaction. The 22.5% voting equity interest was recorded at estimated fair value, determined by independent investment bankers engaged by the Loral Board of Directors. Based on the financial position of K&F at the time of the exchange, Loral has continued to record a deferred gain for the $25,000,000 estimated fair value of the stock received. Loral is using the equity method of accounting for its investment in K&F and accordingly, both the investment in K&F and the related deferred gain have been adjusted by Loral's share of net loss and amortization, over a 35 year period, of goodwill inherent in the fair value recorded. However, no equity income will be recognized until K&F has positive net worth. The Chairman of Loral is a principal shareholder of K&F and after the exchange owns approximately 27% of K&F. In addition, certain executive officers of Loral own rights to purchase approximately 4% of K&F's capital stock. Summarized financial information for K&F as of March 31, 1996 and 1995 and for the years then ended is as follows, respectively: Current assets $101,804,000 and $104,914,000; Noncurrent assets $313,233,000 and $324,160,000; Current liabilities $65,477,000 and $56,889,000; Long-term debt $294,000,000 and $310,000,000; Postretirement benefits other than pensions $75,390,000 and $77,717,000; Other noncurrent liabilities $20,871,000 and $19,216,000; Sales $264,736,000 and $238,756,000; Cost of sales $180,435,000 and $164,697,000; and Net loss $1,406,000 and $10,173,000.

4. MANAGEMENT FEES AND ALLOCATION OF CORPORATE EXPENSES

Pursuant to stockholder and partnership agreements, Loral is responsible for managing the operations of SS/L and Globalstar. Such agreements indicate the amounts that can be charged to Globalstar and SS/L in return for such services. In the case of Globalstar, Loral is entitled to receive a management fee upon commencement of commercial operations. In the case of SS/L, Loral can charge a management fee based on a formula related to sales and an allocation of certain overhead costs. The Chairman of Loral and certain of its executive officers receive compensation from K&F for rendering advisory services to K&F.

4. MANAGEMENT FEES AND ALLOCATION OF CORPORATE EXPENSES (CONTINUED) The following summarizes the management fee and allocated costs and expenses, net reflected in the statement of operations (in thousands):

	YEARS ENDED MARCH 31,		
	1996	1995	1994
Management fee from affiliate	$ 5,608	$ 3,169	$ 2,981
Allocated costs and expenses	$ 6,448	$ 6,489	$ 6,095
Allocated costs and expenses charged to affiliates	(3,427)	(3,287)	(3,512)
Allocated costs and expenses, net	$ 3,021	$ 3,202	$ 2,583

5. RELATED PARTY TRANSACTIONS

In addition to the transactions described in Note 4, Loral has a number of other transactions with its affiliates. Loral believes that the arrangements are as favorable to Loral as could be obtained from unaffiliated parties. The following describes the related-party transactions included in the financial statements of the affiliates.

Two of Loral's divisions have entered into contracts, totaling $28,744,000, to construct a portion of the Globalstar System. Sales to Globalstar for the years ended March 31, 1996 and 1995 were $8,182,000 and $7,429,000, respectively.

LAH bills certain operational, executive, administrative, financial, legal and other services to SS/L and SS/L charges LAH certain overhead costs. Net costs billed to SS/L were $7,066,000, $8,518,000 and $5,934,000 in 1996, 1995 and 1994, respectively. In addition, Loral Corporation sells products to SS/L; net sales to SS/L were $27,132,000, $26,528,000 and $15,769,000 in 1996, 1995 and 1994, respectively. LAH and SS/L have a tax sharing agreement whereby certain tax liabilities and benefits are shared equitably.

Loral and K&F have agreements covering various real property occupancy arrangements and agreements under which Loral and K&F provide certain services, such as benefits administration, treasury, accounting and legal services to each other. The charges for these services, as agreed to by Loral and K&F, are based upon the actual cost incurred in providing the services without a profit. These transactions between Loral and K&F were not significant.

6. INCOME TAXES

The provision (benefit) for income taxes consists of the following (in thousands):

	YEARS ENDED MARCH 31,		
	1996	1995	1994
Current:			
U.S. Federal	$(5,772)	$ 3,730	$(6,490)
State and local	(660)	426	(778)
	(6,432)	4,156	(7,268)
Deferred, principally U.S. Federal	3,652	(3,246)	4,281
Total provision (benefit) for income taxes	$(2,780)	$ 910	$(2,987)

The provision for income taxes excludes a current tax benefit of $186,000 and $5,206,000 for 1996 and 1995, respectively, and a deferred tax benefit of $8,122,000 and $1,877,000 for 1996 and 1995, respectively related to the Globalstar partnership loss which is included in equity in loss of affiliates.

6. INCOME TAXES (CONTINUED) A reconciliation from the statutory U.S. Federal income tax rate to Loral SpaceCom's effective income tax rate follows (in thousands):

	YEARS ENDED MARCH 31,		
	1996	1995	1994
Statutory U.S. Federal income tax rate	(35.0)%	35.0%	(35.0)%
State and local income taxes, net of Federal income tax	(4.0)	4.0	(4.2)
Undistributed income of affiliates	4.0	7.0	1.2
Other, net		(1.1)	
Effective income tax rate	(35.0)%	44.9%	(38.0)%

The deferred tax (asset) liability on the accompanying balance sheet arises from the tax effect of the temporary differences between the carrying amount of investment in affiliates for financial and income tax reporting.

7. COMMITMENTS AND CONTINGENCIES

Under a shareholders agreement among SS/L's equity investors (see Note 3), a change of control of Loral SpaceCom within the meaning of such agreement would provide each of SS/L's Alliance Partners with the right to (i) put their equity interests back to SS/L at fair market value, or (ii) purchase a pro rata share of Loral SpaceCom's equity interest in SS/L for fair market value (subject to receiving certain authorizations including U.S. government approval). While it is not certain that the change of control provisions are applicable, Loral and SS/L are seeking an amendment to the shareholders agreement to acknowledge the proposed transfer of Loral's interest in SS/L to Loral SpaceCom as contemplated by the Distribution Agreement and a waiver of such put and purchase option rights. In the event that any of SS/L's Alliance Partners put their interests back to SS/L, Loral SpaceCom will acquire such interests.

In addition, if the Lehman Partnerships continue to hold LAH Series S Preferred Stock (see Note 3) after January 1, 1998, or after a change in control of Loral, they will have the right to request that Loral purchase their Series S Preferred Stock at fair market value. In such event, Loral may elect to purchase such Series S Preferred Stock at fair market value, or if Loral elects not to purchase the stock, the Lehman Partnerships may require the combined interests of Loral and the Lehman Partnerships in SS/L to be sold to a third party.

Globalstar Credit Agreement

On December 15, 1995, Globalstar entered into a $250,000,000 credit agreement (the "Credit Agreement") with a group of banks. Following the consummation of the Merger, Lockheed Martin guaranteed $206.3 million of Globalstar's obligation under the Globalstar Credit Agreement, and SS/L and certain other Globalstar strategic partners guaranteed $11.7 million and $32 million, respectively, of Globalstar's obligation. In addition, Loral SpaceCom has agreed to indemnify Lockheed Martin for liability in excess of $150 million under Lockheed Martin's guarantee of the Globalstar Credit Agreement.

In connection with such guarantees and indemnity of the Globalstar Credit Agreement, GTL issued to Loral SpaceCom, Lockheed Martin, SS/L and the other strategic partners participating in such guarantee or indemnity, warrants (the "GTL Guarantee Warrants") to purchase an aggregate of 4,185,318 shares of GTL common stock, of which Loral SpaceCom received a warrant to purchase 942,428 shares. The GTL Guarantee Warrants have an exercise price of $26.50, are subject to certain vesting requirements, expire on April 19, 2003, are not exercisable until six months after Globalstar commences initial operations unless

7. COMMITMENTS AND CONTINGENCIES (CONTINUED) accelerated at the sole discretion of the managing general partner of Globalstar and may not be transferred to third parties prior to such exercise date. In connection with the issuance of the GTL Guarantee Warrants, GTL received (i) warrants to acquire 4,185,318 ordinary partnership interests in Globalstar plus (ii) additional warrants (the "Additional Warrants") to purchase an additional 1,131,168 ordinary partnership interests, on terms and conditions generally similar to those of the GTL Guarantee Warrants. In addition, Globalstar has also agreed to pay to Loral SpaceCom and the other guaranteeing partners a fee equal to 1.5% per annum of the average quarterly amount outstanding under the Globalstar Credit Agreement.

INDEPENDENT AUDITORS' REPORT

To the Partners of Globalstar, L.P.:

We have audited the accompanying balance sheets of Globalstar, L.P. (a development stage limited partnership) as of December 31, 1995 and 1994, and the related statements of operations, partners' capital and subscriptions receivable and cash flows for the period from March 23, 1994 (commencement of operations) to December 31, 1994, the year ended December 31, 1995 and cumulative. We have also audited the accompanying statements of operations for the year ended December 31, 1993 and the period from January 1, 1994 to March 22, 1994 (pre-capital subscription period). These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Globalstar, L.P. at December 31, 1995 and 1994, and the results of its operations and its cash flows for the periods stated above in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP
San Jose, California
January 26, 1996
(March 6, 1996 as to Note 11)

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1995	1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 71,602	$ 73,560
Other current assets	506	190
Total current assets	72,108	73,750
Property and equipment, net	1,509	1,004
Globalstar System Under Construction:		
Space segment	348,434	59,335
Ground segment	51,823	12,661
	400,257	71,996
Deferred FCC license costs	7,056	4,521
Deferred financing costs	24,461	--
Total assets	$505,391	$ 151,271
LIABILITIES and PARTNERS' CAPITAL		
Current liabilities:		
Payable to affiliates	$ 49,639	$ 34,987
Accrued expenses	4,782	3,340
Total current liabilities	54,421	38,327
Deferred revenues	21,913	--
Vendor financing liability	42,219	--
Commitments and contingencies (Notes 4,5,6,7,9 and 10)		
Partners' Capital:		
General partners (28,000 interests outstanding at December 31, 1995 and 18,000 interests outstanding at December 31, 1994)	173,118	26,487
Limited partners (19,000 interests outstanding)	191,119	220,237
Warrants	22,601	--
	386,838	246,724
Less subscriptions receivable	--	(133,780)
Total partners' capital	386,838	112,944
Total liabilities and partners' capital	$505,391	$ 151,271

See notes to financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

STATEMENTS OF OPERATIONS
(IN THOUSANDS)

	PRE-CAPITAL SUBSCRIPTION PERIOD		YEAR ENDED DECEMBER 31, 1994		CUMULATIVE
	YEAR ENDED DECEMBER 31, 1993	JANUARY 1 TO MARCH 22, 1994	MARCH 23 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	MARCH 23, 1994 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1995
Operating expenses:					
Development costs...	$ 6,140	$4,057	$21,279	$62,854	$84,133
Marketing, general and administrative...	5,370	2,815	6,748	17,372	24,120
Total operating expenses............	11,510	6,872	28,027	80,226	108,253
Interest income.......	--	--	1,783	11,989	13,772
Net loss..............	$11,510	$6,872	$26,244	$68,237	$94,481

See notes to financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

STATEMENTS OF PARTNERS' CAPITAL AND SUBSCRIPTIONS RECEIVABLE
(IN THOUSANDS)

Partners' Capital

	GENERAL PARTNERS	LIMITED PARTNERS	WARRANTS	TOTAL
Capital subscription, March 23, 1994 (18,000 interests -- general partner, and 18,000 interests -- limited partners).....	$ 50,000	$225,000		$275,000
Cost of raising capital.......................	(1,200)	(1,200)		(2,400)
Net losses -- pre-capital subscription period:				
Year ended December 31, 1993................	(5,755)	(5,755)		(11,510)
January 1, 1994 to March 22, 1994...........	(3,436)	(3,436)		(6,872)
Net loss -- March 23, 1994 (commencement of operations) to December 31, 1994............	(13,122)	(13,122)		(26,244)
Capital subscription, December 31, 1994 (1,000 partnership interests -- limited partner)................................	--	18,750		18,750
Capital balances, December 31, 1994...........	26,487	220,237		246,724
Sale of interests to GTL, February 22,1995 (10,000 general partnership interests).......	185,750	--		185,750
Warrant agreement in connection with debt guarantee..................................	--	--	$ 22,601	22,601
Net loss -- Year ended December 31, 1995.......	(39,119)	(29,118)	--	(68,237)
Capital balances, December 31, 1995...........	$173,118	$191,119	$ 22,601	$386,838

Subscriptions Receivable

	GENERAL PARTNERS	LIMITED PARTNERS	WARRANTS	TOTAL
Capital subscriptions:				
March 23, 1994...............................	$ 50,000	$225,000		$275,000
December 31, 1994............................	--	18,750		18,750
Total subscriptions.........................	50,000	243,750		293,750
Cash received...............................	(23,691)	(124,970)		(148,661)
Credit for pre-capital subscription costs....	(11,309)	--		(11,309)
	(35,000)	(124,970)		(159,970)
Subscriptions receivable, December 31, 1994....	15,000	118,780		133,780
Cash received...............................	(15,000)	(118,780)		(133,780)
Subscriptions receivable, December 31, 1995....	$ --	$ --		$ --

See notes to financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	MARCH 23, 1994 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	CUMULATIVE MARCH 23, 1994 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1995
Cash flows from operating activities:			
Net loss	$(26,244)	$ (68,237)	$ (94,481)
Deferred revenues	--	21,913	21,913
Depreciation and amortization	115	398	513
Changes in operating assets and liabilities:			
Other current assets	--	(506)	(506)
Payable to affiliates	637	5,722	6,359
Accrued expenses	2,440	2,342	4,782
Net cash used in operating activities	(23,052)	(38,368)	(61,420)
Investing activities:			
Globalstar system under construction	(71,996)	(328,261)	(400,257)
Payable to affiliates for Globalstar System under construction	25,042	8,930	33,972
Vendor financing liability	--	42,219	42,219
Cash used for Globalstar System	(46,954)	(277,112)	(324,066)
Purchases of property and equipment	(1,119)	(888)	(2,007)
Deferred FCC license costs	(2,286)	(2,535)	(4,821)
Purchases of investments	--	(126,923)	(126,923)
Maturity of investments	--	126,923	126,923
Other current assets	(190)	190	--
Net cash used in investing activities	(50,549)	(280,345)	(330,894)
Financing activities:			
Deferred line of credit fees	--	(1,875)	(1,875)
Proceeds from capital subscriptions receivable	148,661	133,780	282,441
Payment of accrued capital raising costs	(1,500)	(900)	(2,400)
Sale of partnership interests to Globalstar Telecommunications Limited	--	185,750	185,750
Net cash provided by financing activities	147,161	316,755	463,916
Net increase (decrease) in cash and cash equivalents	73,560	(1,958)	71,602
Cash and cash equivalents, beginning of period	--	73,560	--
Cash and cash equivalents, end of period	$ 73,560	$ 71,602	$ 71,602
Noncash transactions:			
Payable to affiliates	$ 9,308		$ 9,308
Accrual of capital raising costs	$ 2,400		$ 2,400
Deferred FCC license costs	$ 2,235		$ 2,235
Warrant agreement in connection with debt guarantee		$ 22,601	$ 22,601

See notes to financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS

Globalstar, L.P. ("Globalstar" or the "Partnership"), a Delaware limited partnership with a December 31 fiscal year end, was formed in November 1993. It had no activities until March 23, 1994, when it received capital subscriptions for $275 million and commenced operations. The accompanying financial statements reflect the operations of the Partnership from that date. In addition, the statements of operations for the year ended December 31, 1993 and the period January 1, 1994 to March 22, 1994 (the "Pre-Capital Subscription Period") reflect certain costs incurred by Loral Corporation ("Loral") and QUALCOMM Incorporated ("Qualcomm") and reimbursed by Globalstar through a capital subscription credit or agreement for reimbursement, as described in Note 8, "Partners' Capital".

The managing general partner of Globalstar is Loral/QUALCOMM Satellite Services, L.P. ("LQSS"). The general partner of LQSS is Loral/QUALCOMM Partnership, L.P. ("LQP"), a Delaware limited partnership comprised of subsidiaries of Loral and Qualcomm. The general partner of LQP is Loral General Partner, Inc. ("LGP"), a subsidiary of Loral (see Note 11 -- Subsequent Events).

Globalstar was founded to design, construct and operate a worldwide, low-earth orbit ("LEO") satellite-based wireless digital telecommunications system (the "Globalstar System"). The Globalstar System's world-wide coverage is designed to enable its service providers to extend modern telecommunications services to significant numbers of people who currently lack basic telephone service and to enhance wireless communications in areas underserved or not served by existing or future cellular systems, providing a telecommunications solution in parts of the world where the build-out of terrestrial systems cannot be economically justified. On January 31, 1995, the U.S. Federal Communications Commission ("FCC") granted the necessary license to LQP to construct, launch and operate the Globalstar System. LQP has agreed to use such license for the exclusive benefit of Globalstar.

On November 23, 1994, Globalstar Telecommunications Limited ("GTL") was incorporated as an exempted company under the Companies Act 1981 of Bermuda. GTL's sole business is acting as a general partner of Globalstar. On February 14, 1995, GTL completed an initial public offering of 10,000,000 shares of common stock, of which Loral purchased 1,674,400 shares, resulting in net proceeds of $185,750,000. Effective February 22, 1995, GTL purchased 10,000,000 partnership interests from Globalstar with the net proceeds of the initial public offering.

The partners in Globalstar have the right to convert their partnership interests into shares of GTL on a one-for-one basis following the Full Coverage Date, as defined, of the Globalstar System and after at least two consecutive reported fiscal quarters of positive net income, subject to certain annual limitations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company

The Partnership is devoting substantially all of its present efforts to the design, licensing, construction, and financing of the Globalstar System, and establishing its business. Its planned principal operations have not commenced. Accordingly, Globalstar is a development stage company as defined in Statement of Financial Accounting Standards (SFAS) No. 7 "Accounting and Reporting by Development Stage Enterprises."

Globalstar may encounter problems, delays and expenses, many of which may be beyond Globalstar's control. These may include, but are not limited to, problems related to technical development of the system, testing, regulatory compliance, manufacturing and assembly, the competitive and regulatory environment in which Globalstar will operate, marketing problems and costs and expenses that may exceed current estimates. There can be no assurance that substantial delays in any of the foregoing matters would not delay Globalstar's achievement of profitable operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of expenses reported for the period. Actual results could differ from estimates.

Net (Loss) Income Allocation

Net losses of the Partnership are allocated among the partners in proportion to their percentage interests until the adjusted capital account of a partner is reduced to zero, then in proportion to, and to the extent of, positive adjusted capital account balances and then to the general partners.

Net income of the Partnership is allocated among the partners in proportion to, and to the extent of, the distributions made to the partners from distributable cash flow for the period, as defined, then in proportion to and to the extent of negative adjusted capital account balances and then in accordance with percentage interests.

Under the terms of the Partnership Agreement, adjusted partners' capital accounts are calculated in accordance with the principles of U.S. Treasury Regulations governing the allocation of taxable income and loss including adjustments to reflect the fair market value (including intangibles) of partnership assets upon certain capital transactions including a sale of partnership interests. Such adjustments are not permitted under generally accepted accounting principles and, accordingly, are not reflected in the accompanying financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, generally three to eight years. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements.

Globalstar System Under Construction

Globalstar System Under Construction expenditures include and will include progress payments and costs for the design, manufacture, test, launch and launch insurance for 48 low-earth orbit satellites, plus eight in-orbit spares (the "Space Segment"), and ground and satellite operations control centers, gateways and subscriber terminals (handsets) (the "Ground Segment").

The Partnership intends to depreciate the Space Segment over 7 1/2 years and to capitalize costs of the Ground Segment over eight years as assets are placed in service. Service is currently anticipated to commence in 1998.

Costs incurred related to the development of certain technologies, pursuant to a cost sharing arrangement included in Globalstar's contract with Qualcomm and for the engineering and development of subscriber terminals, are being charged to operations as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Financing Costs and Interest

Deferred financing costs represent costs incurred in obtaining a long-term credit facility and the estimated fair value of a warrant agreement in connection with a guarantee of this facility (see Note 6-Credit Facility). Such costs are being amortized over the term of the credit facility as interest.

Interest costs incurred during the construction of the Globalstar System are capitalized. Total interest costs capitalized for the year ended December 31, 1995 was approximately $300,000. No interest was capitalized for the period ending December 31, 1994.

FCC License Costs

Expenditures, including license fees, legal fees and direct engineering and other technical support, for obtaining the required FCC licenses are capitalized and will be amortized over 7 1/2 years, the expected life of the first generation satellites.

Deferred Revenues

Advance payments from Globalstar strategic partners to secure exclusive rights to Globalstar service territories are deferred. These advance payments are recoverable by the service providers through credits against a portion of the service fees payable to Globalstar after the commencement of services.

Vendor Financing

Globalstar's Space Segment contract with Space Systems/Loral, Inc. ("SS/L") calls for a portion of the contract price to be deferred as vendor financing and repaid, over as long as a five-year period, commencing upon the initial service and full coverage dates of the Globalstar System. Amounts deferred as vendor financing are capitalized as costs of the Globalstar System Under Construction as incurred.

Income Taxes

Globalstar was organized as a Delaware limited partnership. As such, no income tax provision (benefit) is included in the accompanying financial statements since U.S. income taxes are the responsibility of its partners. Generally, taxable income (loss), deductions and credits of Globalstar will be passed proportionately through to its partners.

Accounting Pronouncements

In October 1995, the Financial Accounting Standards Board issued Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), which is required to be adopted by fiscal 1996. SFAS 123 establishes accounting and disclosure requirements using a fair value based method of accounting for stock based employee compensation plans, including stock arrangements by investors for the benefit of their investees. Under SFAS 123 Globalstar may either adopt the new fair value based accounting method or continue the intrinsic value based method and provide pro forma disclosures of net income (loss) as if the accounting provisions of SFAS 123 had been adopted. Globalstar intends to elect to continue the intrinsic value method of accounting for stock based employee compensation plans and provide the required pro-forma disclosures; therefore such adoption will have no effect on Globalstar's operations. Globalstar accounts for equity transactions with non-employees under SFAS 123.

3. PROPERTY AND EQUIPMENT

	DECEMBER 31, 1995	DECEMBER 31, 1994
	(IN THOUSANDS)	
Property and equipment consists of:		
Leasehold improvements	$ 401	$ 396
Furniture and office equipment	1,606	723
	2,007	1,119
Accumulated depreciation and amortization	(498)	(115)
	$1,509	$1,004

Depreciation and amortization expense for the year ended December 31, 1995, and for the period March 23 to December 31, 1994, was $383,000 and $115,000, respectively.

4. GLOBALSTAR SYSTEM UNDER CONSTRUCTION

The Space Segment

Globalstar has entered into a contract with SS/L, an affiliate of Loral and a limited partner of LQSS, to design, manufacture, test and launch its satellite constellation. The price of the contract consists of three parts, the first for non-recurring work at a price not to exceed $115.7 million, the second for recurring work at a fixed price of $15.6 million per satellite (including certain performance incentives of up to approximately $1.9 million per satellite) and the third for launch services and insurance. The total contract price reflects certain scope of work claims negotiated with SS/L during 1995.

Under the contract, SS/L will design, build and launch Globalstar's 56 satellites. SS/L has agreed to obtain launch vehicles and arrange for the launch of Globalstar's satellites on Globalstar's behalf at an estimated total cost of $302 million for all 56 satellites, and obtain insurance to cover the replacement cost of satellites or launch vehicles lost in the event of a launch failure for an estimated cost of $92 million. In certain circumstances these amounts are subject to equitable adjustment in light of future market conditions, which may, in turn, be influenced by international political developments. Any change in such assumptions may result in an increase in the costs paid by Globalstar, which may be substantial. Termination by Globalstar of this contract would result in termination fees, which may be substantial.

SS/L has entered into subcontracts with certain of Globalstar's direct or indirect limited partners. The design and manufacture of the payload modules will be performed by Alcatel Espace at a fixed price of approximately $208 million, subject to certain adjustments. Fixed price subcontracts in the amounts of $202 million, $178 million and $41 million have also been awarded to Alenia Spazio S.p.A., Daimler-Benz Aerospace AG and Aerospatiale, respectively. Globalstar, SS/L and Hyundai Electronics Industries Co. Ltd. ("Hyundai") have entered into a subcontract providing work for Hyundai in an amount of approximately $44 million. Globalstar and SS/L have further agreed to support Hyundai in its efforts as a satellite vendor, including providing training and transferring certain technology know-how to Hyundai for compensation to be agreed upon among the parties.

The Ground Segment

Globalstar has entered into a contract with Qualcomm providing for the design, development, manufacture, installation, testing and maintenance of four gateways, two ground operations control centers and 100 pre-production subscriber terminals. A portion of the ground operations control center software is being developed by Globalstar. The contract provides for reimbursement to Qualcomm for contract costs incurred

4. GLOBALSTAR SYSTEM UNDER CONSTRUCTION (CONTINUED) such as labor, material, travel, license fees, royalties and general and administrative expenses, plus a 12% fee thereon. The contract also includes a cost sharing arrangement for certain technologies being developed by Qualcomm. As of December 31, 1995, Globalstar estimates that payments under the contract will total approximately $309 million. Termination by Globalstar of its contract with Qualcomm would result in termination fees, which may be substantial.

A letter agreement among Qualcomm, Globalstar and Hyundai grants to Hyundai an option to become a licensee authorized to manufacture and sell Globalstar subscriber terminals to service providers. Should Hyundai choose to exercise this option, it would, for a five year period following Globalstar's In-Service date, be the exclusive licensee authorized to manufacture and sell subscriber terminals in South and North Korea.

Globalstar will receive from Qualcomm or its licensee(s) a payment of approximately $400,000 for each installed gateway sold to a Globalstar service provider. In addition, Globalstar will receive a payment of up to $10 on each Globalstar subscriber terminal sold, until Globalstar's funding of that design has been recovered.

Globalstar has entered into an agreement with a subsidiary of Loral for the development and delivery of two satellite operations control centers and 33 telemetry and command units for the Globalstar System. The maximum contract price is $25.1 million and provides for reimbursement to the Loral subsidiary for contract costs incurred such as labor, materials, travel, license fees, royalties and general and administrative expenses. The Loral subsidiary will receive a 12% fee under the contract, 6% of which is payable at the time the costs are incurred, with the remainder payable upon achievement of certain milestones. Globalstar will own any intellectual property produced under the contract.

Total System Cost

At December 31, 1995, Globalstar has estimated the cost for the design, construction and deployment of the Globalstar System, excluding working capital, cash interest on anticipated borrowings and operating expenses to be approximately $1.8 billion. Actual amounts may vary from this estimate and additional funds would be required in the event of unforeseen delays, cost overruns, launch failures or other technological risks or adverse regulatory developments, or to meet unanticipated expenses.

Additional funds to complete the Globalstar System are expected to be obtained through a combination of debt issuance, which may include an equity component, projected service provider payments, projected net service revenues from initial operations, anticipated payments received from the sale of gateways and Globalstar subscriber terminals and placements of limited partnership interests with new and existing strategic investors. Although Globalstar believes it will be able to obtain this additional financing, there can be no assurance that the financing will be available on favorable terms or on a timely basis, if at all.

5. VENDOR FINANCING LIABILITY

Globalstar's space segment contract with SS/L calls for approximately $310 million of the contract price to be deferred as vendor financing. Of the $310 million, $90 million is interest bearing at the 30-day LIBOR rate plus 3% per annum. The remaining $220 million of vendor financing is non-interest bearing. Globalstar will repay the non-interest bearing portions as follows: $49 million following the launch and acceptance of 24 or more satellites (the "Preliminary Constellation"), $61 million upon the launch and acceptance of 48 or more satellites (the "Full Constellation"), and the remainder in equal installments over the five-year period following acceptance of the Preliminary and Full Constellations. Payment of the $90 million interest bearing vendor financing will be deferred until December 31, 1998 or the Full Constellation Date, whichever is earlier. Thereafter, interest and principal will be repaid in twenty equal quarterly installments over the next five years.

At December 31, 1995, approximately $21.5 million of the vendor financing liability is interest bearing.

6. CREDIT FACILITY

On December 15, 1995, Globalstar entered into a $250 million credit agreement (the "Credit Agreement") with a group of banks, which was guaranteed by Loral (see Note 11 -- Globalstar Credit Agreement). The Credit Agreement provides that Globalstar may select loan arrangements at varying interest rates, including the Eurodollar rate plus 5/8%. Globalstar pays a commitment fee on the unused portion. The Credit Agreement contains covenants requiring Globalstar to meet certain financial ratios including minimum net worth of $200 million and limits additional indebtedness and the payment of cash dividends. The Credit Agreement expires on December 15, 2000.

In exchange for the guarantee, Globalstar and GTL entered into an agreement to issue warrants to Loral to purchase an effective 8% interest in Globalstar on a fully diluted basis. Subject to the approval of GTL's shareholders, warrants to purchase 4,185,318 shares of GTL common stock at $26.50 per share will be issued to Loral. Proceeds received by GTL for warrants exercised will in turn be used to purchase Globalstar partnership interests under a one-for-one exchange arrangement. Upon such shareholder approval, GTL will be issued warrants to purchase an additional 1,131,168 general partnership interests in Globalstar (representing an approximate 2% equity interest in Globalstar). If GTL shareholder approval is not obtained, Globalstar will issue to Loral warrants to purchase 4,086,957 partnership interests and no Globalstar warrants will be issued to GTL. The warrants are subject to a vesting schedule, with 50% of the warrants vesting on the date that loans are first made by the banks pursuant to the Credit Agreement (the "Funding Date"), an additional 25% vesting on the first anniversary of the Funding Date and the remaining 25% vesting on the second anniversary of the Funding Date. Notwithstanding the foregoing, if the Globalstar Credit Agreement shall not be in effect on any vesting date, the warrants which would have otherwise vested on such date will be deemed to be cancelled. The warrants may not be exercised until six months after Globalstar commences initial operations and may not be transferred to third parties until such exercise date. The estimated fair value of the warrant agreement with Loral in exchange for its guarantee has been recorded as a deferred financing cost in the accompanying financial statements. Globalstar has also agreed to pay Loral a fee equal to 1.5% per annum of the average amount outstanding guaranteed under the bank financing. Such fee will be deferred and will be paid with interest commencing 90 days after the expiration of the bank financing. It is expected that Globalstar's other strategic partners will assume a portion of the guarantee; in such case, rights to a proportionate amount of the warrants and fees will also be transferred. In addition, as a result of the Merger Agreement (see Note 11 -- Subsequent Events), Globalstar is seeking an amendment to the Credit Agreement. If such amendment is not obtained and the Credit Agreement is cancelled, all warrants issued and issuable will be cancelled.

7. COMMITMENTS

The following is a schedule by years of future minimum lease payments (in thousands) required under an operating lease that has an initial lease term in excess of one year.

1996	$ 869
1997	891
1998	914
1999	936
2000	633
Total minimum payments required	$4,243

Rent expense for the year ended December 31, 1995, and the period March 23 to December 31, 1994, was approximately $934,000 (including $650,000 paid to Loral subsidiaries), and $373,000 (including $275,000 paid to Loral subsidiaries), respectively.

8. PARTNERS' CAPITAL

Initial Capital Subscriptions

Prior to the commencement of Globalstar's operations on March 23, 1994, Loral and Qualcomm undertook independent efforts at their own risk to explore the feasibility of a Globalstar-type system. Efforts to develop the Globalstar System were formalized with the initial funding of Globalstar on March 23, 1994 through capital subscriptions of $50,000,000 for 18,000,000 general partner interests and $225,000,000 for an aggregate of 18,000,000 limited partner interests. In connection with the initial capital subscriptions, the partners of Globalstar agreed to reimburse Loral and Qualcomm for certain expenditures totaling $18,382,000, incurred related to such efforts from January 1, 1993 through March 22, 1994. These expenditures included development costs and marketing, general and administrative expenses related to the Globalstar System. The statements of operations include the costs for these periods under the heading Pre-Capital Subscription Period.

In addition, costs of $2,235,000 were incurred in connection with the FCC license application. The aggregate expenditures by Loral and Qualcomm of $20,617,000 were reimbursed through a credit of $11,309,000 issued to the general partner as a reduction of its required capital subscription payment and an agreement to repay Qualcomm $9,308,000 over a one-year period ($2,499,000 of which remained outstanding at December 31, 1994). The reimbursed expenses of $18,382,000 have been charged to partners' capital as of the date of the capital subscription agreement and allocated to the partners' capital accounts in accordance with the partnership agreement. The $2,235,000 of costs relating to the FCC license application are included in the Partnership's balance sheet.

Stock Option Arrangements

Officers and employees of Globalstar are eligible to participate in GTL's 1994 Stock Option Plan (the "Plan"), which provides for nonqualified and incentive stock options. The plan is administered by a stock option committee (the "Committee"), appointed by the Board of Directors of GTL. The Committee determines the option price (provided that in no event shall such option price be less than the fair market value of the shares of common stock as of the date such option is granted), the option's exercise date and the expiration date of each option (provided no option shall be exercisable after the expiration of ten years from the date of grant). Proceeds received by GTL for options exercised will in turn be used to purchase Globalstar partnership interests under a one-for-one exchange arrangement.

In September 1995, options to purchase 110,400 shares of GTL Common Stock were granted under the Plan at an exercise price of $16.625. No options were exercised or cancelled during the year. The options generally expire ten years from the date of grant and become exercisable over the period stated in each option, generally ratably over a five-year period. All options granted during the year were non-qualified stock options. As of December 31, 1995, 139,600 shares of common stock were available for future grant under the Plan.

In September 1995, Loral, in its capacity as managing general partner, granted certain directors and officers options to purchase 340,000 shares of the GTL Common Stock owned by Loral at a weighted average exercise price of $27.87 (such prices were greater than or equal to the market price at grant date). Such options are immediately exercisable, and expire 12 years from date of grant; no options were exercised or cancelled during the year.

9. RELATED PARTY TRANSACTIONS

In addition to the transactions described in Notes 4, 5, 6, 7 and 8, Globalstar has a number of other transactions with its affiliates. Globalstar believes that the arrangements are as favorable to Globalstar as could be obtained from unaffiliated parties. The following describes these related-party transactions.

9. RELATED PARTY TRANSACTIONS (CONTINUED) Globalstar has granted to SS/L an irrevocable, royalty-free, non-exclusive license to use certain intellectual property expressly developed in connection with the SS/L agreement provided that SS/L will not use, or permit others to use, such license for the purpose of engaging in any business activity that would be in material competition with Globalstar. Globalstar has similarly agreed that it will not license such intellectual property if it will be used for the purpose of designing or building satellites that would be in competition with SS/L.

Globalstar has granted to Qualcomm an irrevocable, non-exclusive, worldwide perpetual license to intellectual property owned by Globalstar in the Ground Segment and developed pursuant to the Qualcomm agreement. Qualcomm may, pursuant to such grant, use the intellectual property for applications other than the Globalstar System provided that Qualcomm may not for a period of three years after its withdrawal as a strategic partner or prior to the third anniversary of the Full Constellation Date, whichever is earlier, engage in any business activity that would be in competition with the Globalstar System. The grant of intellectual property to Qualcomm described above is generally royalty free. Under certain specified circumstances, however, Qualcomm will be required to pay a 3% royalty fee on such intellectual property.

A support agreement was entered into among Qualcomm, Loral and Globalstar pursuant to which Qualcomm agreed to (i) assist Globalstar and SS/L with Globalstar's system design, (ii) support Globalstar and Loral with respect to various regulatory matters, including the FCC application and (iii) assist Globalstar and Loral in their marketing efforts with respect to Globalstar. For the year ended December 31, 1995, and for the period March 23 through December 31, 1994, Qualcomm has received approximately $2,712,000 and $2,431,000, respectively, for costs incurred in rendering such support and assistance.

Certain of Globalstar's limited partners have signed agreements granting them the right to provide Globalstar System services to users in specific countries on an exclusive basis, as long as specified minimum levels of subscribers are met. These service providers will receive certain discounts from Globalstar's expected pricing schedule generally over a five-year period.

Globalstar has entered into consulting agreements with certain limited partners. Costs incurred under these arrangements for the year ended December 31, 1995, and for the period March 23 through December 31, 1994, were $1,411,000 and $471,000, respectively. Globalstar anticipates that similar agreements may be entered into with other strategic partners in the future.

	DECEMBER 31,	
	1995	1994
	(IN THOUSANDS)	
Current payable to affiliates consisted of:		
SS/L	$26,126	$22,046
Qualcomm	21,443	11,795
Other Loral affiliates	2,070	1,146
Total	$49,639	$34,987

Commencing after the initiation of Globalstar services, LQP, the general partner of LQSS, will be paid an annual management fee equal to 2.5% of Globalstar's revenues up to $500 million plus 3.5% of revenues in excess of $500 million. Should Globalstar incur a net loss in any year following commencement of services, the management fee for that year will be reduced by 50% and LQP will reimburse Globalstar for management fee payments, if any, received in any prior quarter of such year, sufficient to reduce its management fee for the year to 50%. No management fees have been paid to date.

9. RELATED PARTY TRANSACTIONS (CONTINUED) Globalstar employees are eligible to participate in the employee benefit plans of a Loral subsidiary. Globalstar is charged for the actual costs of these benefits which for the period March 23 through December 31, 1994, amounted to $321,000, including $55,000 relating to pensions and retiree health care and life insurance benefits. The costs incurred for the year ended December 31, 1995 amounted to $710,000, including $121,000 relating to pensions and retiree health care and life insurance benefits. Globalstar employees are eligible to participate in a defined benefit pension plan with voluntary contributions if they are over 21 years old and have one year of service. Benefits are generally based on participants' compensation, years of service and voluntary contributions. Globalstar employees are also eligible for retiree health care and life insurance benefits upon retirement from active service with at least 10 years of service. These benefits are funded primarily on a pay-as-you-go basis with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions.

Globalstar leases its facility from a Loral subsidiary under an operating lease requiring monthly payments of approximately $72,000. The lease expires in August 2000; however Globalstar has the option to renew the lease for two additional five-year periods.

10. REGULATORY MATTERS

Globalstar and its operations are, and will be, subject to substantial U.S. and international regulation, including required regulatory approvals in each country in which Globalstar intends to provide service. Globalstar's business may be significantly affected by regulatory activities.

11. SUBSEQUENT EVENTS

Merger Agreement

On January 7, 1996, Loral and Lockheed Martin Corporation ("Lockheed Martin") entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") among Loral, Lockheed Martin and LAC Acquisition Corporation ("LAC"), a wholly owned subsidiary of Lockheed Martin, providing for the transactions that will result in the defense electronics and systems integration businesses of Loral becoming a subsidiary of Lockheed Martin. Concurrently with the execution of the Merger Agreement, Loral, certain wholly-owned subsidiaries of Loral and Lockheed Martin, entered into the Restructuring, Financing and Distribution Agreement (the "Distribution Agreement"), which provides, among other things, for (i) the transfer of Loral's space and communications businesses, including its direct and indirect interests in Globalstar, GTL, SS/L and other affiliated businesses, as well as certain other assets, to Loral Space & Communications Ltd., a Bermuda company ("Loral SpaceCom"), (ii) the distribution of all of the shares of Loral SpaceCom common stock to holders of Loral common stock and persons entitled to acquire shares of Loral common stock on a one-for-one basis (the "Spin-Off") each as of a record date (the "Spin-Off Record Date") to be declared by the Board of Directors of Loral and to be a date on or immediately prior to the consummation of the tender offer, and (iii) the contribution by Lockheed Martin of $712,400,000, subject to reduction, to Loral SpaceCom on or before the closing of the Merger, of which $344,000,000 represents payment for preferred stock, convertible into a 20% equity interest in Loral SpaceCom, to be retained by Lockheed Martin following the Spin-Off and the Merger. The contribution from Lockheed Martin is subject to reduction for capital contributions by Loral to its space and communications businesses. On March 6, 1996, Loral purchased $100,000,000 principal amount of GTL's 6 1/2% Convertible Preferred Equivalent Obligations for $97,000,000 in cash (see below).

Under the terms of the Merger Agreement, LAC commenced a cash tender offer on January 12, 1996 for all outstanding shares of common stock, par value $.25 per share, of Loral at a price of $38.00 per share.

11. SUBSEQUENT EVENTS (CONTINUED) Consummation of the tender offer is subject to, among other things, at least two-thirds of the shares of Loral common stock, determined on a fully-diluted basis, being validly tendered and not withdrawn prior to the expiration of the tender offer, applicable regulatory approvals and the occurrence of the Spin-Off Record Date.

Globalstar Credit Agreement

Under the terms of the Merger Agreement, Lockheed Martin agreed to assume the obligations of Loral as a guarantor under the Credit Agreement (see Note
6 -- Credit Facility). Loral has agreed to assume approximately $88,600,000 of this guarantee obligation and SS/L and certain other Globalstar strategic partners have agreed to assume approximately $11,700,000 and $49,700,000 thereof, respectively. In return for providing the guarantee, the guarantors will share proportionately in the warrants. Globalstar is seeking an amendment to the Credit Agreement to permit the transactions contemplated in the Merger Agreement and Distribution Agreement and believes that it will receive satisfactory consents from the bank syndicate prior to the Distribution. However, failure to obtain such consents would result in an event of default at the time these transactions occur.

Sale of GTL Convertible Preferred Equivalent Obligations

On March 6, 1996, GTL issued Convertible Preferred Equivalent Obligations (the "Securities") with a face value totaling $300,000,000 in a private placement of which $100,000,000 principal amount was purchased by Loral at a cost of $97,000,000. The Securities are subordinated to existing and future debt obligations of GTL, are convertible into 4,615,385 shares of GTL Common Stock at a conversion price of $65.00 per share, bear interest at 6 1/2% per annum payable quarterly, are redeemable (at a premium which declines over time) by GTL beginning in 2000 (or beginning in 1997 if GTL's stock price exceeds certain defined price ranges), and, if still outstanding, must be redeemed by GTL on March 1, 2006. Interest and redemption payments may be made by GTL in cash or shares of stock (see below). In the event of a change in control of GTL (as defined in the Securities agreement), holders may elect to convert their Securities into shares of GTL Common Stock based on the then average market price of GTL's stock, subject to GTL's option to redeem such obligations. GTL has agreed to file a Registration Statement with the U.S. Securities and Exchange Commission covering the Securities within 120 days.

The net proceeds of $290,000,000 from the issuance of the Securities were used by GTL to purchase 4,615,385 Preferred Partnership Interests in Globalstar. These Preferred Partnership Interests will convert to ordinary partnership interests on a one-for-one basis upon any conversion of the Securities, will pay a quarterly preferred distribution to GTL of 6 1/2% per annum, will be allocated losses of the partnership only after all adjusted capital accounts of the ordinary partnership interests have been reduced to zero, and are redeemable on terms comparable to the Securities. Globalstar may elect to make the quarterly preferred distribution to GTL in cash or general partnership interests. If such distribution is made in cash, GTL must make its interest payment on the Securities in Cash. Globalstar may elect to defer payment of the preferred distribution; in such case, GTL may also elect to defer interest payment on the Securities, however, holders of the Securities are entitled to certain representation rights on the General Partners' Committee of Globalstar in the event six consecutive interest payments are deferred.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

CONDENSED BALANCE SHEETS
(In thousands, except partnership interest data)

	MARCH 31, 1996	DECEMBER 31, 1995
	(Unaudited)	(Note)
ASSETS		
Current assets:		
Cash and cash equivalents	$247,108	$ 71,602
Other current assets	3,230	506
Total current assets	250,338	72,108
Property and equipment, net	1,597	1,509
Globalstar System Under Construction:		
Space segment	441,345	348,434
Ground segment	67,477	51,823
	508,822	400,257
Deferred FCC license costs	7,632	7,056
Deferred financing costs	23,285	24,461
Total assets	$791,674	$505,391
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Payable to affiliates	$ 36,961	$ 49,639
Accrued expenses	6,591	4,782
Total current liabilities	43,552	54,421
Deferred revenues	23,652	21,913
Vendor financing liability	61,584	42,219
Commitments and contingencies (Note 4)		
Partners' capital:		
Redeemable preferred partnership interests (4,615,385 outstanding at March 31, 1996)	291,424	--
Ordinary partnership interests (47,000,000 outstanding)	348,861	364,237
Warrants	22,601	22,601
Total partners' capital	662,886	386,838
Total liabilities and partners' capital	$791,674	$505,391

Note: The December 31, 1995 balance sheet has been derived from audited financial statements at that date.

See notes to condensed financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

CONDENSED STATEMENTS OF OPERATIONS
(In thousands)

(Unaudited)

	THREE MONTHS ENDED MARCH 31, 1996	THREE MONTHS ENDED MARCH 31, 1995	CUMULATIVE MARCH 23, 1994 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 1996
Operating expenses:			
Development costs	$ 11,377	$ 16,198	$ 95,510
Marketing, general and administrative	4,024	3,197	28,144
Total operating expenses	15,401	19,395	123,654
Interest income	1,449	2,159	15,221
Net loss	13,952	17,236	108,433
Preferred distribution and related increase on redeemable preferred partnership interests	1,424	--	1,424
Net loss applicable to ordinary partnership interests	$ 15,376	$ 17,236	$109,857

See notes to condensed financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

(Unaudited)

	THREE MONTHS ENDED MARCH 31, 1996	THREE MONTHS ENDED MARCH 31, 1995	CUMULATIVE MARCH 23, 1994 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 1996
Cash flows from operating activities:			
Net loss	$ (13,952)	$ (17,236)	$ (108,433)
Deferred revenues	1,739	--	23,652
Depreciation and amortization	1,568	73	2,081
Changes in operating assets and liabilities:			
Other current assets	(2,724)	(985)	(3,230)
Payable to affiliates	(4,225)	6,476	2,134
Accrued expenses	1,809	294	6,591
Net cash used in operating activities	(15,785)	(11,378)	(77,205)
Investing activities:			
Globalstar System Under Construction	(108,565)	(42,511)	(508,822)
Payable to affiliates for Globalstar System Under Construction	(8,453)	(2,340)	25,519
Vendor financing liability	19,365	--	61,584
Cash used for Globalstar System	(97,653)	(44,851)	(421,719)
Purchases of property and equipment	(230)	(73)	(2,237)
Deferred FCC license costs	(576)	(539)	(5,397)
Purchases of investments	--	(127,734)	(126,923)
Maturity of investments	--	--	126,923
Other current assets	--	190	--
Net cash used in investing activities	(98,459)	(173,007)	(429,353)
Financing activities:			
Deferred financing costs	(250)	--	(2,125)
Proceeds of capital subscriptions receivable	--	131,980	282,441
Payment of accrued capital raising costs	--	--	(2,400)
Sale of partnership interests to Globalstar Telecommunications Limited	--	185,750	185,750
Sale of redeemable preferred partnership interests	290,000	--	290,000
Net cash provided by financing activities	289,750	317,730	753,666
Net increase in cash and cash equivalents	175,506	133,345	247,108
Cash and cash equivalents, beginning of period	71,602	73,560	--
Cash and cash equivalents, end of period	$ 247,108	$ 206,905	$ 247,108
Noncash transactions:			
Payable to affiliates			$ 9,308
Accrual of capital raising costs			$ 2,400
Deferred FCC license costs			$ 2,235
Warrants issued in exchange for debt guarantee			$ 22,601

See notes to condensed financial statements.

GLOBALSTAR, L.P.
(A DEVELOPMENT STAGE LIMITED PARTNERSHIP)

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. The accompanying unaudited condensed financial statements have been prepared by Globalstar, L.P. ("Globalstar") pursuant to the rules of the Securities and Exchange Commission ("SEC") and, in the opinion of Globalstar, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules. Globalstar believes that the disclosures made are adequate to keep the information presented from being misleading. The results of operations for the three months ended March 31, 1996 are not necessarily indicative of the results to be expected for the full year. It is suggested that these financial statements be read in conjunction with the audited financial statements and notes thereto included in the annual report of Globalstar Telecommunications Limited (the "Company" or "GTL").

2. ORGANIZATION AND BUSINESS

Globalstar, founded by Loral Corporation ("Loral") and QUALCOMM Incorporated ("Qualcomm"), is building, and is preparing to launch and operate a worldwide, low-earth orbit satellite-based wireless digital telecommunications system (the "Globalstar System").

Globalstar, a Delaware limited partnership with a December 31 fiscal year end, was formed in November 1993. It had no activities until March 23, 1994, when it received capital subscriptions for $275 million and commenced operations. The accompanying financial statements reflect the operations of Globalstar from that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company

Globalstar is devoting substantially all of its present efforts to the design, licensing, construction, testing and financing of the Globalstar System, and establishing its business. Its planned principal operations have not commenced. Accordingly, Globalstar is a development stage company as defined in Statement of Financial Accounting Standards No. 7 "Accounting and Reporting by Development Stage Enterprises".

Globalstar may encounter problems, delays and expenses, many of which may be beyond Globalstar's control. These may include, but are not limited to, problems related to technical development of the system, testing, regulatory compliance, manufacturing and assembly, the competitive and regulatory environment in which Globalstar will operate, marketing problems and costs and expenses that may exceed current estimates. There can be no assurance that substantial delays in any of the foregoing matters would not delay Globalstar's achievement of profitable operations.

Preferred Partnership Distribution

Distributions accrue on the Redeemable Preferred Partnership Interests at 6 1/2% per annum, in addition Globalstar is increasing the carrying value to its ultimate redeemable value. The distributions are recorded as reductions against the ordinary partnership capital accounts.

4. GLOBALSTAR SYSTEM UNDER CONSTRUCTION

The Space Segment

Globalstar has entered into a contract with Space Systems/Loral, Inc. ("SS/L"), an affiliate of Loral and a limited partner of Loral/Qualcomm Satellite Services, L.P., the managing general partner of Globalstar, to design, manufacture, test and launch its 56 satellite constellation. The price of the contract consists of three parts, the first for non-recurring work at a price not to exceed $115.7 million, the second for recurring work at a fixed price of $15.6 million per satellite (including certain performance incentives of up to approximately

4. GLOBALSTAR SYSTEM UNDER CONSTRUCTION -- (CONTINUED) $1.9 million per satellite) and the third for launch services and insurance. The total contract price reflects certain scope of work claims negotiated with SS/L during 1995. Termination by Globalstar of this contract would result in termination fees, which may be substantial.

SS/L has agreed to obtain launch vehicles and arrange for the launch of Globalstar's satellites on Globalstar's behalf at an estimated total cost of $302 million for all 56 satellites, and obtain insurance to cover the replacement cost of satellites or launch vehicles lost in the event of a launch failure for an estimated cost of $92 million. In certain circumstances these amounts are subject to equitable adjustment in light of future market conditions, which may, in turn, be influenced by international political developments. Any change in such assumptions may result in an increase in the costs paid by Globalstar, which may be substantial. SS/L has entered into subcontracts with certain of Globalstar's limited partners or affiliates thereof. The design and manufacture of the payload modules will be performed by Alcatel Espace at a fixed price of approximately $208 million, subject to certain adjustments. Fixed price subcontracts in the amounts of $202 million, $178 million and $41 million have also been awarded to Alenia Spazio S.p.A., Daimler-Benz Aerospace AG and Aerospatiale, respectively. Globalstar, SS/L and Hyundai Electronics Industries Co. Ltd. ("Hyundai") have entered into a subcontract providing work for Hyundai in an amount of approximately $44 million. Globalstar and SS/L have further agreed to support Hyundai in its efforts as a satellite vendor, including providing training and transferring certain technology know-how to Hyundai for compensation to be agreed upon among the parties.

Globalstar's space segment contract with SS/L calls for a portion of the contract price to be deferred as vendor financing and repaid over as long as a five-year period, commencing upon the initial service and full coverage dates of the Globalstar satellite constellations. Globalstar has agreements for approximately $310 million of vendor financing from SS/L and its subcontractors, $90 million of which is interest bearing.

The Ground Segment

Globalstar has entered into a contract with Qualcomm providing for the design, development, manufacture, installation, testing and maintenance of four gateways, two ground operations control centers and 100 pre-production subscriber terminals. The contract provides for reimbursement to Qualcomm, subject to a cap for certain joint development efforts, for contract costs incurred, plus a 12% fee thereon and is currently estimated to total $350 million. The contract also includes a cost sharing arrangement for certain technologies being developed by Qualcomm. Termination by Globalstar of its contract with Qualcomm would result in delays and termination fees, which may be substantial. A portion of the ground operations control center software is being developed by Globalstar.

A letter agreement among Qualcomm, Globalstar and Hyundai grants to Hyundai an option to become a licensee authorized to manufacture and sell Globalstar subscriber terminals to service providers. Should Hyundai choose to exercise this option, it would, for a five year period following Globalstar's In-Service date, be the exclusive licensee authorized to manufacture and sell subscriber terminals in South and North Korea.

Globalstar will receive from Qualcomm or its licensee(s) a payment of approximately $400,000 for each installed gateway sold to a Globalstar service provider. In addition, Globalstar will receive a payment of up to $10 on each Globalstar subscriber terminal sold, until Globalstar's funding of that design has been recovered.

Globalstar has entered into an agreement with a subsidiary of Loral for the development and delivery of two satellite operations control centers and 33 telemetry and command units for the Globalstar System. The maximum contract price is $25.1 million and provides for reimbursement to the Loral subsidiary for contract costs incurred such as labor, materials, travel, license fees, royalties and general and administrative expenses. The Loral subsidiary will receive a 12% fee under the contract, 6% of which is payable at the time the costs are

4. GLOBALSTAR SYSTEM UNDER CONSTRUCTION -- (CONTINUED) incurred, with the remainder payable upon achievement of certain milestones. Globalstar will own any intellectual property produced under the contract.

Total System Cost

At March 31, 1996, Globalstar had estimated the cost for the design, construction and deployment of the Globalstar System, excluding working capital, cash interest on anticipated borrowings and operating expenses to be approximately $1.8 billion. Actual amounts may vary from this estimate and additional funds would be required in the event of unforeseen delays, cost overruns, launch failures or other technological risks or adverse regulatory developments, or to meet unanticipated expenses.

Additional funds to complete the Globalstar System are expected to be obtained through a combination of debt issuance, which may include an equity component, projected service provider payments, projected net service revenues from initial operations, anticipated payments received from the sale of gateways and Globalstar subscriber terminals and placements of limited partnership interests with new and existing strategic investors. Although Globalstar believes it will be able to obtain this additional financing, there can be no assurance that the financing will be available on favorable terms or on a timely basis, if at all.

5. PARTNERS' CAPITAL

Sale of Redeemable Preferred Partnership Interests

On March 6, 1996, GTL purchased 4,615,385 Redeemable Preferred Partnership Interests ("RPPIs") in Globalstar with the net proceeds of GTL's sale of Convertible Preferred Equivalent Obligations (the "Securities") in the amount of $290,000,000. The RPPIs will convert to ordinary general partnership interests on a one-for-one basis upon any conversion of the Securities, will pay a quarterly preferred distribution to GTL of 6 1/2% per annum, will be allocated losses of the partnership only after all adjusted capital accounts of the ordinary partnership interests have been reduced to zero, and are redeemable on terms comparable to the Securities. If still outstanding, the RPPIs must be redeemed by Globalstar on March 1, 2006 for the aggregate amount of $300,000,000, plus all unpaid distributions. Globalstar may elect to make the quarterly preferred distribution to GTL in cash or general partnership interests. If such distribution is made in cash, GTL must make its interest payment on the Securities in cash. Globalstar may elect to defer payment of the preferred distribution; in such case, GTL may also elect to defer interest payment on the Securities, however, holders of the Securities are entitled to certain representation rights on the General Partners' Committee of Globalstar in the event six consecutive interest payments are deferred.

6. SUBSEQUENT EVENTS

Sale of Redeemable Preferred Partnership Interests

On April 3, 1996, GTL purchased an additional 153,846 RPPIs in Globalstar with the net proceeds from the additional sale of the Securities in the amount of $9,700,000. All obligations and rights are consistent with the original offering, see Note 5 -- Partners' Capital.

Effective Date of the Merger

On April 23, 1996, the merger between Loral and Lockheed Martin Corporation was completed. In conjunction with the merger, Loral's space and communications businesses, including its direct and indirect interests in Globalstar, GTL, SS/L and other affiliated businesses, as well as certain other assets, have been transferred to Loral Space & Communications Ltd., a Bermuda corporation.

INDEPENDENT AUDITORS' REPORT

Space Systems/Loral, Inc.:

We have audited the accompanying consolidated balance sheets of Space Systems/Loral, Inc. and its subsidiaries as of March 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1996. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Space Systems/Loral, Inc. and its subsidiaries at March 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1996 in conformity with generally accepted accounting principles.

San Jose, California
April 29, 1996

SPACE SYSTEMS/LORAL, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	MARCH 31, 1996	MARCH 31, 1995
ASSETS		
Current assets:		
Cash and cash equivalents	$126,863	$ 52,222
Contracts in process, net	251,271	203,406
Inventories	36,582	9,853
Deposits and other current assets	11,698	20,129
Total current assets	426,414	285,610
Property, plant and equipment	269,532	247,851
Less accumulated depreciation and amortization	111,293	90,530
	158,239	157,321
Cost in excess of net assets acquired, less amortization	232,662	239,406
Long-term receivables	63,127	52,900
Investments	6,284	7,837
Prepaid pension costs and other assets	21,951	23,401
	$908,677	$766,475
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$132,640	$ 63,344
Accrued payroll	24,157	17,812
Customer advances	126,318	115,950
Income taxes payable	3,529	87
Deferred income taxes	45,364	50,280
Other current liabilities	7,227	6,860
Total current liabilities	339,235	254,333
Long-term debt	65,052	34,040
Deferred income taxes	20,944	6,335
Postretirement and other liabilities	33,463	34,000
Minority interest in ISTI	2,115	2,266
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, $.10 par value; 100,000 authorized and unissued shares	--	--
Common stock, $.10 par value; 100,000 shares authorized, 4,000 shares issued and outstanding	466,668	466,668
Accumulated deficit	(18,800)	(31,167)
Total shareholders' equity	447,868	435,501
	$908,677	$766,475

See notes to consolidated financial statements.

SPACE SYSTEMS/LORAL, INC.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS)

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
Revenues from contracts	$1,121,619	$633,717	$596,267
Contract costs	1,087,213	605,932	571,303
Gross profit	34,406	27,785	24,964
Amortization of cost in excess of net assets acquired	6,744	6,744	6,744
Management fee	5,608	3,169	2,981
Operating income	22,054	17,872	15,239
Interest income	9,652	4,538	1,962
Interest expense	3,301	3,214	3,396
Income before income taxes, minority interest and equity in net loss of affiliate	28,405	19,196	13,805
Provision for income taxes	15,180	11,946	10,458
Income before minority interest and equity in net loss of affiliate	13,225	7,250	3,347
Minority interest in losses of ISTI	151	360	244
Equity in net loss of affiliate	(1,009)	(2,056)	
Net income	$ 12,367	$ 5,554	$ 3,591

See notes to consolidated financial statements.

SPACE SYSTEMS/LORAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 1996, 1995 AND 1994
(IN THOUSANDS, EXCEPT SHARE DATA)

	COMMON STOCK			
	SHARES ISSUED	AMOUNT	ACCUMULATED DEFICIT	TOTAL
Balance March 31, 1993	4,000	$466,668	$ (40,312)	$426,356
Net income			3,591	3,591
Balance March 31, 1994	4,000	466,668	(36,721)	429,947
Net income			5,554	5,554
Balance March 31, 1995	4,000	466,668	(31,167)	435,501
Net income			12,367	12,367
Balance March 31, 1996	4,000	$466,668	$ (18,800)	$447,868

See notes to consolidated financial statements.

SPACE SYSTEMS/LORAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net income	$ 12,367	$ 5,554	$ 3,591
Depreciation and amortization	29,993	29,468	28,393
Deferred income taxes	10,237	11,507	9,270
Minority interest in losses of ISTI	(151)	(360)	(244)
Equity in net loss of LQSS	1,009	2,056	
Changes in operating assets and liabilities:			
Contracts in process, including long-term receivables	(58,092)	2,293	(84,430)
Inventories	(26,729)	9,919	(48)
Deposits and other current assets	8,431	(13,359)	(3,846)
Prepaid pension cost and other assets	1,450	2,687	(1,160)
Accounts payable and other current liabilities	79,450	27,539	2,199
Customer advances	10,368	39,685	66,115
Postretirement and other liabilities	(537)	(1,150)	(533)
Net cash provided by operating activities	67,796	115,839	19,307
Investing activities:			
Capital expenditures	(24,167)	(23,386)	(22,569)
Investment in LQSS		(3,600)	(2,400)
Investment in Orion		(5,000)	
	(24,167)	(31,986)	(24,969)
Financing activities:			
Proceeds from borrowings	100,740	151,791	364,249
Repayment of debt	(69,728)	(210,000)	(345,000)
Sale of minority interest in ISTI			2,870
	31,012	(58,209)	22,119
Net increase in cash and cash equivalents	74,641	25,644	16,457
Cash and cash equivalents, beginning of year	52,222	26,578	10,121
Cash and cash equivalents, end of year	$126,863	$ 52,222	$ 26,578
Supplemental information:			
Interest paid during the year, net of amounts capitalized	$ 2,440	$ 2,099	$ 2,813
Income taxes paid during the year	$ 1,501	439	--

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation:

Space Systems/Loral, Inc. ("SS/L"), a corporate joint venture owned by Loral Corporation ("Loral") (see Note 11) and four international aerospace and communications companies (the "Alliance Partners"), designs and produces geosynchronous and low-earth orbit satellites and subsystems for communications, remote earth sensing and direct-to-home broadcast television. Loral, through its wholly owned subsidiaries Loral Aerospace Holdings, Inc. ("LAH") and Loral Aerospace Corp. ("Loral Aerospace"), owns 51% of the common stock of SS/L. Certain partnerships affiliated with Lehman Brothers Holdings Inc. (the "Lehman Partnerships") own 627.3 shares of LAH Series S Preferred Stock. Each share of Series S Preferred Stock represents a beneficial interest in one share of common stock of SS/L. Due to the LAH Series S Preferred Stock held by the Lehman Partnerships, Loral has an effective 32.7% economic interest in SS/L. SS/L operates under various agreements which specify actions which can be taken by it or its equity investors. The consolidated financial statements include the accounts of SS/L, its wholly owned foreign sales corporation subsidiary, and International Space Technology, Inc. ("ISTI"), a partially owned, corporate joint venture. Investments in partnerships are accounted for on the equity method. All significant intercompany balances and transactions have been eliminated.

Use of Estimates in Preparation of Financial Statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of expenses reported for the period. Actual results could differ from estimates.

Cash and Cash Equivalents:

Cash equivalents consist of money market investments with an original maturity of less than 90 days.

Financial Instruments:

SS/L's financial instruments consist of cash equivalents, foreign exchange contracts, contracts-in-process, long-term receivables and long-term debt. Except as discussed in Note 4, SS/L believes that the carrying value of its financial instruments approximates fair value.

Concentration of Credit Risk and Major Customers:

Financial instruments which potentially subject SS/L to concentrations of credit risk consist principally of cash and cash equivalents, foreign exchange contracts (See Note 4) and contracts in process and long-term receivables ("Contract Receivables"). SS/L's cash and cash equivalents are maintained with high-credit-quality financial institutions. SS/L's customers are U.S. and foreign governments and large multinational corporations. The credit worthiness of such institutions is generally substantial and management believes that its credit evaluation, approval and monitoring processes mitigate potential credit risks. SS/L generally obtains insurance to mitigate collection risk associated with the in-orbit delivery of satellites.

Sales to the U.S. government represented 10%, 23% and 23% of revenues from contracts for the years ended March 31, 1996, 1995 and 1994, respectively. Sales to foreign customers, primarily in Asia, represented 27%, 15% and 31% of revenues from contracts for the years ended March 31, 1996, 1995 and 1994, respectively. In 1996, two commercial customers represented 30% and 13% of revenues from contracts. In 1995, four commercial customers represented 23%, 20%, 15% and 13% of revenues from contracts. Two commercial customers represented 35% and 29% of revenues from contracts in 1994.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
Inventories:

Inventories consist principally of high reliability parts and are valued at the lower of cost or market. Cost is determined using the first-in-first-out (FIFO) or average cost method.

Revenue Recognition:

Revenue under long-term fixed-price contracts is recognized using the cost-to-cost percentage-of-completion method. Contract revenue includes estimated orbital incentives discounted to present value at the launch date. Contract costs include the development effort required for the production of high-technology satellites, non-recurring engineering and design efforts in early periods of contract performance, as well as the cost of qualification testing requirements.

Revenue under cost-reimbursable type contracts is recognized as costs are incurred; incentive fees are estimated and recognized over the contract term.

A significant portion of SS/L's revenue is associated with long-term contracts in which there are inherent risks. These risks include forecasting costs and schedules, contract revenue related to contract performance (including orbital incentives), the potential for component obsolescence in connection with long-term procurements and other factors characteristic of the industry.

Contracts with the U.S. government are subject to termination by the U.S. government for convenience or for default. Other government contract risks include dependence on future appropriations and administrative allotment of funds and changes in government policies. Costs incurred under U.S. government contracts are subject to audit. Management believes the results of such audits will not have a material effect on SS/L's financial position or results of operations.

Losses on contracts are recognized when determined. Revisions in profit estimates are reflected in the period in which the conditions that require the revision become known and are estimable.

In accordance with industry practice, contracts-in-process include unbilled amounts relating to contracts and programs with long production cycles, a portion of which may not be billable within one year.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Generally, when assets are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of operations. Depreciation is provided using predominantly accelerated methods over the estimated useful lives of the related assets (buildings and improvements 20 to 45 years; all other assets 2 to 10 years). Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the improvements.

Foreign Exchange Contracts:

SS/L enters into foreign exchange contracts as hedges against exchange rate fluctuations of future accounts receivable and accounts payable denominated in foreign currencies. Realized and unrealized gains and losses on foreign exchange contracts designated as hedges are deferred and recognized over the lives of the related contracts in process.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
Cost in Excess of Net Assets Acquired:

Cost in excess of the fair value of net assets acquired is being amortized over 40 years using the straight-line method. Accumulated amortization was $36,825,000 and $30,081,000 at March 31, 1996 and 1995, respectively.

The carrying amount of Cost in Excess of Net Assets Acquired is evaluated on a recurring basis. Current and future profitability as well as current and future undiscounted cash flows, excluding financing costs, are primary indicators of recoverability. For the three years ended March 31, 1996, there was no adjustment to the carrying amount of the Cost in Excess of Net Assets Acquired resulting from these evaluations.

Accounting Pronouncements:

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), which is required to be adopted by fiscal 1997. SFAS 121 establishes the accounting standards for the impairment of long-lived assets, certain intangible assets and cost in excess of net assets acquired to be held and used, and for long-lived assets and certain intangible assets to be disposed of. SS/L does not expect the adoption of SFAS 121 to have a material impact on its financial position or results of operations.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), which is required to be adopted by fiscal 1997. SFAS 123 establishes accounting and disclosure requirements using a fair value based method of accounting for stock based employee compensation plans, including stock arrangements by investors for the benefit of their investees. Under SFAS 123, SS/L may either adopt the new fair value based accounting method or continue the intrinsic value based method and provide pro forma disclosures of net income as if the accounting provisions of SFAS 123 had been adopted. SS/L intends to elect to continue the intrinsic value method of accounting for stock based employee compensation plans and provide the required pro forma disclosures; therefore such adoption will have no effect on SS/L's operations.

2. CONTRACTS-IN-PROCESS:

	MARCH 31,	
	1996	1995
	(IN THOUSANDS)	
U.S government contracts:		
Amounts billed	$ 11,374	$ 8,319
Unbilled contract receivables	12,927	15,562
	24,301	23,881
Commercial contracts:		
Amounts billed	122,313	35,217
Unbilled contract receivables	104,657	144,308
	226,970	179,525
	$251,271	$203,406

2. CONTRACTS-IN-PROCESS: (CONTINUED) Unbilled amounts include recoverable costs and accrued profit on progress completed which has not been billed. Such amounts are billed upon shipment of the product, achievement of contractual milestones, or completion of the contract and are reclassified to billed receivables.

Payment terms and conditions vary between contracts, however, SS/L generally requires, for commercial contracts, advance deposits equal to varying percentages of the total contract amount.

Billed receivables relating to long-term contracts shown above are expected to be collected within one year. Upon launch of a satellite, SS/L reclassifies the orbital component of unbilled receivables to long term. During the years ended March 31, 1996 and 1995, $10,227,000 and $41,973,000, respectively, were reclassified to long-term receivables. Unbilled receivables include $5,871,000 of orbital receivables expected to be collected in fiscal 1997. Long-term receivable balances related to satellite orbitals at March 31, 1996 are scheduled to be received as follows (in thousands):

1998	$ 7,863
1999	7,817
2000	7,194
2001	7,080
Thereafter	33,173
	$ 63,127

Selling, general and administrative expenses for the years ended March 31, 1996, 1995 and 1994 were $40,273,000, $31,163,000 and $26,398,000 and include independent research and development costs of $11,171,000, $9,471,000 and $6,697,000, respectively.

3. PROPERTY, PLANT AND EQUIPMENT:

	MARCH 31, 1996	MARCH 31, 1995
	(IN THOUSANDS)	
Land	$ 22,300	$ 22,300
Buildings and improvements	58,721	57,331
Machinery, equipment, furniture and fixtures	167,406	151,389
Leasehold improvements	5,317	5,133
Construction-in-process	15,788	11,698
	$ 269,532	$ 247,851

Depreciation and amortization expense was $23,249,000, $22,724,000 and $21,649,000 and capitalized interest costs were $127,000, $100,000 and $373,000 for the years ended March 31, 1996, 1995 and 1994, respectively.

4. FINANCING ARRANGEMENTS:

Foreign currency exchange facilities:

At March 31, 1996 and 1995, SS/L had foreign currency exchange contracts (forwards and swaps) with several banks to purchase and sell foreign currencies, primarily Japanese yen, aggregating $246,483,000 and $296,349,000, respectively. Such contracts were designated as hedges of certain foreign contracts and subcontracts to be performed through May 2006. The fair value of these contracts, based on quoted market prices, was $217,382,000 and $352,273,000 at March 31, 1996 and 1995, respectively. At March 31, 1996

4. FINANCING ARRANGEMENTS: (CONTINUED) deferred gains on forward contracts to sell yen were $23,995,000 and deferred losses on forward contracts to purchase foreign currencies, primarily yen, were $5,106,000. At March 31, 1995 deferred losses on forward contracts to sell yen were $53,836,000 and deferred gains on forward contracts to purchase yen were $2,088,000. SS/L is exposed to credit-related losses in the event of nonperformance by counter parties to these financial instruments, but does not expect any counter party to fail to meet its obligation.

The maturity of foreign currency exchange contracts held at March 31, 1996 is consistent with the contractual or expected timing of the transactions being hedged, principally receipt of customer payments under long-term contracts and payments to vendors under subcontracts. These foreign exchange contracts mature as follows (in thousands):

YEARS TO MATURITY	TO PURCHASE AT CONTRACT RATE	TO PURCHASE AT MARKET RATE	TO SELL AT CONTRACT RATE	TO SELL AT MARKET RATE
1	$ 40,157	$37,712	$ 97,734	$ 87,595
2 to 5	20,461	17,800	67,330	56,007
6 to 10			15,127	14,064
Thereafter			5,674	4,204
	$ 60,618	$55,512	$185,865	$161,870

Debt

Long-term debt comprises:

	MARCH 31, 1996	MARCH 31, 1995
	(IN THOUSANDS)	
Export -- Import credit facility (weighted average interest rate of 5.8% and 5.0%, respectively)	$32,184	$34,040
Note purchase facility (weighted average interest rate of 4.26%)	25,868	
Revolving credit agreement (weighted average interest rate of 8.25%)	7,000	
	$65,052	$34,040

SS/L borrowed a total of $42,912,000 under an export-import credit facility ("the EX-IM Facility") with a Japanese bank. The EX-IM Facility is fully secured by a letter of credit arrangement with another bank. At March 31, 1996, no amounts remained available for borrowing under this facility. Principal is to be repaid in semiannual installments through November 1, 2005. Interest is charged at the London Interbank Offer Rate (LIBOR) less 1/4% and is payable semiannually on May 1 and November 1.

In 1994 SS/L entered into a $140,000,000 note purchase facility (the "Note Purchase Facility") with an Italian bank. Borrowings are determined by formula and are made in accordance with a specified schedule through the earlier of June 30, 1998, or until the facility is fully disbursed. Principal is to be repaid on the earlier of twenty three months from the final acceptance date of certain satellite deliveries or April 30, 2000. Interest is charged at a weighted average rate of 4.26% and is payable semiannually. There were no borrowings under this facility during the year ended March 31, 1995. All borrowings under this facility reduce the amount available under SS/L's Revolving Credit Agreement (see below).

4. FINANCING ARRANGEMENTS: (CONTINUED) SS/L has a $250,000,000 revolving credit facility ("the Revolving Credit Agreement") with a group of banks, which provides for borrowings through December 23, 1997 at which time the Revolving Credit Agreement expires. Borrowings are unsecured and bear interest, at SS/L's option, at various rates based on the lead bank's prime rate, or margins over the Federal Funds rate or LIBOR. SS/L pays a commitment fee on the unused portion of the Revolving Credit Agreement. The LIBOR interest rate is subject to a reduction of one-tenth of 1% based on the achievement of a specific financial covenant. SS/L achieved this covenant for the years ended March 31, 1995 and 1996. The Revolving Credit Agreement contains customary covenants requiring SS/L to maintain specified net worth and debt to equity ratios, an interest coverage ratio and a current asset to debt ratio. In addition, the Revolving Credit Agreement limits amounts that may be paid as dividends and advances to and from affiliates. The Revolving Credit Agreement further provides that the total advances and letters of credit outstanding may not exceed $250,000,000.

Subsequent to March 31, 1996, SS/L received authorization under the EX-IM Facility, the Note Purchase Facility and the Revolving Credit Agreement to permit the transaction under the definitive Agreement and Plan of Merger described in Note 11.

The aggregate maturities of long-term debt for the years 1998 through 2001 are as follows: $22,020,000, $2,145,000, $2,146,000 and $28,013,000.

SS/L has other outstanding letters of credit of approximately $61,728,000 at March 31, 1996.

5. INCOME TAXES:

The components of the provision for income taxes are as follows:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Current:			
Federal	$ 1,836		$ 198
State, local & foreign	3,107		
	4,943		198
Deferred, principally federal	10,237	$11,946	10,260
Total	$15,180	$11,946	$10,458

The provision for income taxes excludes a deferred tax benefit of $544,000 and $1,107,000 for the years ended March 31, 1996 and 1995, respectively, related to SS/L's share of Globalstar, L.P. losses (see Note 6).

5. INCOME TAXES: (CONTINUED) The income tax provision differs from the amount computed by applying the statutory federal income tax rate to income before income taxes for the following reasons:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Provision at statutory federal income tax rate	$ 9,942	$ 6,719	$ 4,832
State income taxes, net of federal income tax benefit	2,219	1,767	1,300
Non-deductible goodwill amortization	2,360	2,360	2,360
Impact of increase in federal rate on deferred tax liability			956
Losses of ISTI	330	875	672
Other	329	225	338
Total provision for income taxes	$15,180	$11,946	$10,458

Deferred income taxes have been calculated using an asset and liability method. The deferred tax liability on the accompanying balance sheet arises from the tax effect of the temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes, and is principally related to use of the long-term contract method of accounting for tax purposes, the liability for other postretirement benefits and differences in tax and book bases of assets and liabilities acquired.

At March 31, 1996, the reported deferred tax liability is net of future tax benefits of $6,864,000 arising from net operating loss carryforwards which expire beginning in 2007. Tax carryforward benefits will be used in the periods that net deferred tax liabilities mature.

The significant components of the deferred income tax assets and liabilities are:

	MARCH 31,	
	1996	1995
	(IN THOUSANDS)	
Deferred tax assets:		
Postretirement benefits other than pensions	$13,719	$13,313
Net operating loss carryforwards	6,864	16,212
Compensation and benefits	4,681	3,355
Other, net	4,376	1,449
	29,640	34,329
Deferred tax liabilities:		
Income recognition on long-term contracts	60,315	56,791
Property, plant and equipment	26,869	26,032
Pension costs	8,764	8,121
	95,948	90,944
Net deferred income tax liability	$66,308	$56,615

6. INVESTMENTS:

In March 1994, SS/L agreed to purchase an 11% limited partnership interest in Loral Qualcomm Satellite Services, L.P. ("LQSS") for $6,000,000. LQSS's only asset is 18,000,000 general partnership interests in Globalstar, L.P. ("Globalstar"), which represents a 38.3% interest in Globalstar at March 31, 1996 and 1995. Globalstar was formed to design, construct and operate a worldwide, low-earth orbit satellite-

6. INVESTMENTS: (CONTINUED) based digital telecommunications system. SS/L's investment is net of its share of Globalstar's pretax losses of $1,553,000 and $3,163,000 in the years ended March 31, 1996 and 1995, respectively.

In connection with the construction of the Globalstar system, Globalstar entered into a $1.4 billion contract with SS/L to design, manufacture, test and obtain launch vehicles and launch services for its constellation of 56 satellites. Under the contract, SS/L has agreed to act as Globalstar's agent to obtain launch vehicles, arrange for the launch of Globalstar satellites and obtain insurance to cover the replacement cost of satellites or launch vehicles lost in the event of a launch failure. SS/L has entered into subcontracts with certain of Globalstar's direct or indirect limited partners, some of whom are shareholders of SS/L. Revenue recorded under the Globalstar contract for the years ended March 31, 1996, 1995 and 1994 was $336,977,000, $97,258,000 and $9,522,000, respectively. Billed and unbilled receivables from Globalstar were $10,082,000 and $72,535,000, and $9,700,000 and $20,579,000 at March 31, 1996 and 1995, respectively.

Globalstar's space segment contract with SS/L calls for approximately $310 million of the contract billings to be deferred as vendor financing. Of the $310 million, $90 million is interest bearing at the 30-day LIBOR rate plus 3% per annum. The remaining $220 million of vendor financing is non-interest bearing. Globalstar will repay the non-interest bearing portions as follows: $49 million following the launch and acceptance of 24 or more satellites (the "Preliminary Constellation"), $61 million upon the launch and acceptance of 48 or more satellites (the "Full Constellation"), and the remainder in equal installments over the five-year period following acceptance of the Preliminary and Full Constellations. SS/L's subcontractors have assumed a portion of this vendor financing which totals approximately $121 million and will be paid on similar terms. Payment of the $90 million interest bearing vendor financing will be deferred until December 31, 1998 or the Full Constellation Date, whichever is earlier. Thereafter, interest and principal will be repaid in twenty equal quarterly installments over the next five years.

At March 31, 1996, $33,849,000 of the vendor financing receivable is interest bearing.

SS/L has agreed to guarantee approximately $11,700,000 of Globalstar's obligation under a $250,000,000 credit agreement. In return for providing such guarantee, SS/L will receive warrants to purchase 195,094 shares of Globalstar Telecommunications Limited common stock at $26.50 per share.

In April 1994, SS/L purchased common stock representing a five percent interest in Orion Network Systems, Inc. for $5,000,000. At March 31, 1996, the carrying value of the investment approximated market value. The investment is accounted for using the cost method.

7. RELATED PARTY TRANSACTIONS:

SS/L, its shareholders, and Loral have entered into a stockholders' agreement ("the Stockholders' Agreement") which provides for management fees to be paid to Loral, ranging from 0.5% to 1% of sales, as defined, depending upon SS/L's operating performance. Such management fees were $5,608,000, $3,169,000 and $2,981,000 for the years ended March 31, 1996, 1995 and 1994, respectively.

The Stockholders' Agreement also requires SS/L to pay Loral an annual fee for overhead reimbursement, not to exceed 1% of SS/L's adjusted sales, as defined, for each fiscal year. This fee amounted to $3,427,000, $3,287,000 and $3,512,000 for the years ended March 31, 1996, 1995 and 1994, respectively.

SS/L was billed for certain operational, executive, administrative, financial, legal and other services provided by LAC and other Loral divisions, and SS/L charged LAC certain overhead costs. Net costs billed to SS/L by LAC and other Loral divisions were $7,066,000, $8,518,000 and $5,934,000 for the years ended March 31, 1996, 1995, and 1994, respectively.

7. RELATED PARTY TRANSACTIONS: (CONTINUED) In connection with contract performance, SS/L provides services to and acquires services from Loral and its affiliated companies. A summary of such transactions and balances is as follows:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Revenue from services sold	$ 1,096	$ 1,103	$ 672
Cost of purchased services	28,228	27,631	16,441
Balances at year end:			
Receivable	$ 430	$ 724	$ 2,875
Payable	15,823	7,272	10,272
Due to Loral affiliates, net	$15,393	$ 6,548	$ 7,397

SS/L's sales to, purchases from, and balances with the Alliance partners are as follows:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Revenue from services sold	$ 32,561	$ 3,073	$ 1,420
Cost of purchased services	249,092	85,489	63,255
Balances at year end:			
Receivable	$ 15,066	$ 840	$ 571
Payable	38,257	19,521	8,541

Loral granted certain key employees of SS/L options to purchase shares of Loral common stock. At March 31, 1996, 1995 and 1994, options to purchase 466,304, 445,788 and 387,996 shares of Loral common stock were outstanding, respectively, (adjusted for a two for one stock split in each of fiscal years 1996 and 1994). SS/L has agreed to pay Loral any difference between the market value of Loral stock at the time of exercise and the option price for up to 200,000 shares authorized by SS/L's stockholders, and to reimburse Loral for any tax benefit resulting from shares granted in excess of that amount. For the years ended March 31, 1996, 1995 and 1994, $4,510,000, $726,000 and $533,000, respectively, of compensation expense was accrued for the excess of market value of Loral stock over exercise prices for options exercisable subject to the authorized limitation.

8. COMMITMENTS AND CONTINGENCIES:

At March 31, 1996, SS/L was party to various noncancellable real estate leases with minimum aggregate rental commitments payable as follows (in thousands):

1997	$ 5,935
1998	3,906
1999	1,996
2000	1,827
2001	1,488
Thereafter	14,880
	$ 30,032

8. COMMITMENTS AND CONTINGENCIES: (CONTINUED) Leases covering major items of real estate contain renewal and/or purchase options which may be exercised by SS/L. Rent expense was $6,440,000, $4,805,000 and $4,731,000 for the years ended March 31, 1996, 1995, and 1994, respectively.

Due to the long lead times required to produce purchased parts, SS/L has entered into various purchase commitments with suppliers. These commitments aggregated $841,376,000 at March 31, 1996.

SS/L is party to various litigation arising in the normal course of its operations. In the opinion of management, the ultimate liability for these matters, if any, will not have a material adverse effect on SS/L's financial position or results of operations.

Under the Stockholders' Agreement, a change of control of Loral Corporation within the meaning of such agreement would provide each of SS/L's Alliance Partners with the right to (i) put their equity interests back to SS/L at fair market value or (ii) purchase a pro rata share of Loral's equity interest in SS/L for fair market value (subject to receiving certain authorizations including U.S. government approval). In addition, an Alliance Partner which dissents against certain actions of the Board of Directors approved by Loral and at least two other Alliance Partners, including material changes in SS/L's strategic plan and related lines of business, a merger, sale of substantially all assets of SS/L, or sale of stock which increases outstanding shares by more than 10%, may offer its interests to the other Alliance Partners at 90% of fair market value; if not purchased by the Alliance Partners, SS/L would be required to repurchase such shares at that price. In the event any of SS/L's Alliance Partners put their interests back to SS/L, Loral will acquire such interests.
(See Note 11.)

9. PENSIONS AND OTHER EMPLOYEE BENEFITS:

Pensions:

SS/L maintains a contributory defined benefit pension plan covering substantially all employees. Benefits are based on members' salaries and years of service. This plan is administered under the direction of LAH. SS/L's funding policy is generally to contribute in accordance with cost accounting standards that affect government contractors, subject to the Internal Revenue Code and regulations thereon. Contributions for the year ended March 31, 1996, 1995 and 1994 were $3,990,000, $58,000 and $3,993,000, respectively. Plan assets are invested primarily in U.S. government and agency obligations and listed stocks and bonds.

Net pension costs include the following components:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Service cost -- benefits earned during the period	$ 3,676	$ 3,950	$ 2,897
Interest cost on projected benefit obligation	10,070	9,025	8,199
Actual loss (return) on plan assets	(27,838)	372	(13,184)
Net amortization and deferral	18,110	(10,672)	3,610
Net pension costs	$ 4,018	$ 2,675	$ 1,522

9. PENSIONS AND OTHER EMPLOYEE BENEFITS: (CONTINUED) The following table sets forth the Plan's funded status:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Actuarial present value of benefit obligations:			
Vested benefits	$128,032	$98,540	$92,745
Accumulated benefits	$129,290	$99,279	$93,412
Effect of projected future salary increases	17,711	13,908	15,243
Projected benefits	147,001	113,187	108,655
Plan assets at fair value	140,934	112,837	115,030
Plan assets (less than) in excess of projected benefit obligation	(6,067)	(350)	6,375
Unrecognized net prior service cost	63	(40)	(900)
Unrecognized net loss	27,347	21,760	18,513
Prepaid pension cost included in other assets in the accompanying balance sheet	$ 21,343	$21,370	$23,988
The principal actuarial assumptions are as follows:			
Discount rate	7.50%	8.50%	7.75%
Rate of increase in compensation levels	4.50%	4.75%	4.75%
Expected long-term rate of return on plan assets	9.50%	9.50%	9.50%

Postretirement Health Care and Life Insurance Cost:

In addition to providing pension benefits, SS/L provides certain health care and life insurance benefits for retired employees and dependents. Participants are eligible for these benefits when they retire from active service and meet the eligibility requirements for SS/L's pension plans. These benefits are funded primarily on a pay-as-you-go basis with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions.

In March 1993, SS/L adopted various plan amendments resulting in unrecognized prior service gains, which are being amortized commencing in 1994.

Postretirement health care and life insurance costs include the following components:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Service cost -- benefits earned during the period	$ 405	$ 386	$ 364
Interest cost on accumulated postretirement benefit obligation	1,549	1,445	1,682
Net amortization and deferrals	(1,316)	(1,481)	(1,311)
Total postretirement health care and life insurance costs	$ 638	$ 350	$ 735

9. PENSIONS AND OTHER EMPLOYEE BENEFITS: (CONTINUED) The following table reconciles the amounts recognized in the balance sheet:

	YEAR ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Accumulated postretirement benefit obligation:			
Retirees	$13,539	$10,562	$13,510
Fully eligible plan participants	3,229	2,805	3,181
Other active plan participants	6,031	4,275	5,915
Total accumulated postretirement benefit obligation	22,799	17,642	22,606
Fair value of assets	(1,868)	(1,348)	(997)
Unfunded accumulated postretirement benefit obligation	20,931	16,294	21,609
Unrecognized prior service gain related to plan amendments	13,696	14,968	16,240
Unrecognized net (loss) gain	(1,164)	2,738	(2,699)
Accrued postretirement health care and life insurance costs	$33,463	$34,000	$35,150

The principal assumptions used in determining the pension benefit obligation are as follows:

Discount rate	7.50%	8.50%	7.75%
Rate of increase in compensation levels	4.50%	4.75%	4.75%
Present healthcare cost trend rate	10.59%	11.73%	12.36%
Ultimate trend rate by the year 2004	5.50%	6.00%	6.00%

Changing the assumed health care cost trend rate by 1% in each year would change the accumulated postretirement benefit obligation by approximately $2,150,000 and the aggregate service and interest cost components for 1996 by approximately $240,000.

Postemployment Benefits:

Effective April 1, 1994, SS/L adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 requires that the costs of benefits provided to employees after employment but before retirement be recognized in the financial statements on an accrual basis. The adoption of SFAS 112 did not have a material impact to the financial position or results of operations of SS/L.

Employee Savings Plan:

SS/L employees participate in the Loral Aerospace Savings Plan ("the Plan"). Under the Plan, SS/L matches 60% of participating SS/L employees' contributions, up to 6% of base pay. SS/L's matching contributions made in Loral common stock were $2,852,000, $2,976,000 and $2,782,000 for the years ended March 31, 1996, 1995 and 1994, respectively.

10. INTERNATIONAL SPACE TECHNOLOGY, INC. COMMON STOCK TRANSACTIONS:

In September 1993 and March 1994, International Space Technology, Inc. ("ISTI"), a corporate joint venture with unrelated third parties, entered into agreements to sell, in installments, a 22.8% equity interest in ISTI to two unaffiliated entities. Under the first installment, ISTI sold 267.85 common shares for $2.9 million in 1994, representing a 17.6% equity interest in ISTI. In November 1994, in conjunction with the stock sales agreements, ISTI issued an additional 28.95 common shares to one of the minority shareholders, increasing

10. INTERNATIONAL SPACE TECHNOLOGY, INC. COMMON STOCK TRANSACTIONS: (CONTINUED) the minority interest in ISTI by 1.6% to 19.2%. Accordingly, 17.6% of the losses of ISTI incurred subsequent to the sale and prior to November 8, 1994, and 19.2% of such incurred losses after November 7, 1994, have been allocated to the minority interest. Additional sales of shares under the agreements are contingent upon completion of certain product qualifications by SS/L.

11. SUBSEQUENT EVENTS:

On April 22, 1996, Loral Corporation ("Loral") and Lockheed Martin Corporation ("Lockheed Martin") consummated a definitive Agreement and Plan of Merger (the "Merger Agreement") among Loral, Lockheed Martin and LAC Acquisition Corporation, a wholly owned subsidiary of Lockheed Martin, providing for the transactions that resulted in the defense electronics and systems integration businesses of Loral becoming a subsidiary of Lockheed Martin. Concurrently with the execution of the Merger Agreement, Loral, certain wholly-owned subsidiaries of Loral and Lockheed Martin entered into the Restructuring, Financing and Distribution Agreement (the "Distribution Agreement"), which provides, among other things, for (i) the transfer of Loral's space and communications businesses, including its direct and indirect interests in Globalstar, L.P. ("Globalstar"), Globalstar Telecommunications Limited ("GTL"), Space Systems/ Loral, Inc. ("SS/L") and other affiliated businesses, as well as certain other assets to Loral Space & Communications Ltd., a Bermuda company ("Loral SpaceCom"), (ii) the distribution of all of the shares of Loral SpaceCom common stock to holders of Loral common stock and persons entitled to acquire shares of Loral common stock on a one-for-one basis (the "Spin-Off") each as of a record date (the "Spin-Off Record Date"), and (iii) the contribution by Lockheed Martin of $612,274,000, of which $344,000,000 represents payment for preferred stock, convertible into a 20% equity interest in Loral SpaceCom, to be retained by Lockheed Martin following the Spin-Off and the Merger.

On April 23, 1996, the merger between Loral and Lockheed Martin was completed. In conjunction with the merger, Loral's space and communications businesses, including its direct and indirect interests in Globalstar, GTL, SS/L and other affiliated businesses, as well as certain other assets, have been transferred to Loral Space & Communications Ltd., a Bermuda corporation.

EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of January 7, 1996, among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation+
2.2	Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General partner, Inc., Loral Globalstar L.P., Loral Globalstar Limited, the Registrant and Lockheed Martin Corporation+
2.3	Amendment to Merger Agreement***
2.4	Amendment to Distribution Agreement***
3.1	Memorandum of Association of Registrant+
3.2	Form of Memorandum of Increase of Share Capital+
3.3	Amended and Restated Bye-laws of Registrant***
4	Rights Agreement+
10.1	Tax Sharing Agreement***
10.2	Shareholders Agreement between the Registrant and Loral Corporation***
10.3	SS/L Stockholders Agreement+
10.4	Lehman Stockholders Agreement***
10.5	Amended and Restated Agreement of Limited Partnership of Globalstar, L.P.*
10.6	Subscription Agreements by and between Globalstar, L.P. and each of Globalstar Telecommunications Limited, AirTouch Communications, Alcatel Spacecom, Loral General Partner, Inc., Hyundai/Dacom, Vodastar Limited, Loral/Qualcomm Satellite Services, L.P. and Finmeccanica S.p.A.*
10.7	Service provider agreements by and between Globalstar, L.P. and each of AirTouch Satellite Services, Finmeccanica S.p.A., Loral General Partner, Inc., Loral/DASA Globalstar, L.P., Hyundai/Dacom, TE.SA.M and Vodastar Limited*
10.8	Development Agreement by and between QUALCOMM Incorporated and Globalstar, L.P.*
10.9	Contract between Globalstar, L.P. and Space Systems/Loral, Inc.*
10.10	Credit Agreement among Globalstar, L.P. and various banks and Loral Guarantee+
10.11	Registrant's 1996 Stock Option Plan+
10.12	Registrant's Common Stock Purchase Plan for Non-Employee Directors+
10.13	Employment Agreement between the Registrant and Bernard L. Schwartz+
10.14	Exchange Agreement among the Registrant, Lockheed Martin Corporation and Loral Corporation***
10.15	Amendment to Partnership Agreement of Globalstar, dated March 6, 1996***
10.16	Amendment of Globalstar Credit Agreement***
10.17	Lockheed Martin Guarantee***
20	Documents or Statements to Shareholders**
21	List of Subsidiaries of the Registrant***
27	Financial Data Schedule***

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*Incorporated by reference to the Registration Statement on Form S-1 filed by Globalstar Telecommunications Limited (File No. 33-86808).

**Incorporated by reference to Loral's Solicitation/Recommendation Statement on Schedule 14D-9 dated January 12, 1996.

***Filed herewith.

+Incorporated by reference to the Registration Statement on Form 10 filed by the Company. (1-14180)

Exhibit 2.3

LORAL CORPORATION
600 Third Avenue
New York, New York 10016

as of April 15, 1996

Lockheed Martin Corporation
LAC Acquisition Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817

Re: Amendment of Agreement and Plan of Merger dated as of January 7, 1996

Ladies and Gentlemen:

Reference is made to the Agreement and Plan of Merger dated as of January 7, 1996 (the "Merger Agreement") among Lockheed Martin Corporation ("Parent"), LAC Acquisition Corporation ("Purchaser") and Loral Corporation (the "Company"). Terms not specifically defined herein shall have the meanings set forth in the Merger Agreement. The following sets forth our mutual agreement with respect to certain matters relating to the Merger Agreement.

1. The parties agree that the parenthetical contained in the second sentence of Section 2.10 of the Merger Agreement shall be amended to read as follows:

"(including, if so authorized by the Company's Board of Directors, holders who are subject to the reporting requirements of Section 16(a) of the Exchange Act)."

Please indicate your acceptance of and agreement to the foregoing Amendment of Agreement and Plan of Merger by signing below.

Very truly yours,

LORAL CORPORATION

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President and General Counsel

ACCEPTED AND AGREED
AS OF APRIL 15, 1996:

LOCKHEED MARTIN CORPORATION

By: /s/ Frank H. Menaker, Jr.

Name: Frank H. Menaker, Jr.
Title: Vice President and

General Counsel

LAC ACQUISITION CORPORATION

By: /s/ Stephen M. Piper

Name: Stephen M. Piper

Title: Assistant Secretary

Exhibit 2.4

Amendment to Distribution Agreement

LOCKHEED MARTIN CORPORATION
6801 ROCKLEDGE DRIVE
BETHESDA, MARYLAND 20817

as of April 15, 1996

Loral Corporation
Loral Space & Communications Ltd.
Loral Aerospace Holdings, Inc.
Loral Aerospace Corp.
Loral General Partner, Inc.
Loral Globalstar, L.P.
600 Third Avenue
New York, New York 10016
Loral Globalstar Limited
P.O. Box 309
Ugland House
South Church Street
Grand Cayman Islands
British West Indies

Re: Waiver With Respect to and Amendment of Distribution Agreement

Ladies and Gentlemen:

Reference is made to the Restructuring, Financing and Distribution Agreement (the "Distribution Agreement"), dated as of January 7, 1996, by and among Lockheed Martin Corporation ("Lockheed Martin"), Loral Corporation ("Loral"), Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner, Inc., Loral Globalstar, L.P., Loral Globalstar Limited and Loral Space & Communications Corp. ("Loral SpaceCom Corp."). Terms not specifically defined herein shall have the meanings set forth in the Distribution Agreement. The following sets forth our mutual agreement with respect to certain matters relating to the Distribution Agreement.

1. Subject to the provisions of paragraph 2 below, Lockheed Martin hereby waives the provisions of Section 2.6(a) and (b) of the Distribution Agreement insofar as such provisions would otherwise prohibit, restrict or delay the assignment, conveyance or transfer of shares (the "SS/L Shares") of capital stock of Space Systems/Loral, Inc. ("SS/L") to Loral Space & Communications Ltd., a Bermuda company ("Loral SpaceCom") or a Loral SpaceCom subsidiary prior to the Distribution Date if waivers of all Third Party Call Rights or Third Party Put Rights with respect to such SS/L Shares have not been received prior to the time of such assignment, conveyance or transfer.

2. The parties consent to the prior assignment by Loral SpaceCom Corp. of all of its rights and obligations under the Distribution Agreement to Loral SpaceCom and agree that all references to Spinco in the Distribution Agreement shall be deemed to be references to Loral SpaceCom. SpaceCom hereby reaffirms and acknowledges its agreement that (x) it shall, pursuant to the provisions of Section 2.6(c) of the Distribution Agreement, indemnify the Company and all Parent Indemnified Parties for all Indemnifiable Losses arising out of, relating to or resulting from the exercise or purported exercise of any Third Party Call Right or any Third Party Put Right and (y) prior to the exercise or the receipt of waivers of Third Party Call Rights, it shall not assign, convey or transfer the applicable SS/L Shares to any third party or otherwise take any action that would have the effect of denying or materially adversely affecting the Third Party Call Rights set forth in the SS/L Stockholders Agreements. Loral SpaceCom further agrees that it shall indemnify and hold harmless the Company and all Parent Indemnified Parties from and against all Indemnifiable Losses (whether as a result of injunctive action or otherwise) arising out of, relating to or resulting from the transfer of the SS/L Shares to Loral SpaceCom prior to the receipt by the Company or Loral SpaceCom of all waivers and consents otherwise required prior to such transfer, including without limitation, the continuation of the Company after the Distribution Date as a party to the SSL Stockholder Agreements. Notwithstanding anything to the contrary contained herein or in the Distribution Agreement, Loral SpaceCom shall indemnify the Company and the Parent Indemnified Parties for costs, fees and expenses of attorneys, accountants, consultants and other similar persons engaged by the Company or the Parent Indemnified Parties with respect to the matters set forth in this Paragraph 2 or in Section 2.6 of the Distribution Agreement if any only to the extent that they relate to (x) claims or inquires initiated by a third-party not affiliated with the Company or Lockheed Martin or (y) Actions.

3. The parties agree that:

(a) Section 6.7(d) of the Distribution Agreement shall be amended by adding the following as the last sentence thereof:

"Notwithstanding anything to the contrary contained in this Section 6.7(d), the obligations and rights of the parties arising under this Section 6.7(d) shall be qualified in their entirety by and subject to the limitations with respect thereto set forth in the Agreement Containing Consent Order to be entered into between Parent and the Federal Trade Commission (File No. 961-0026)."

(b) Section 2.1(a) is hereby amended by deleting such
Section 2.1(a) in its entirety and substituting therefor the new Section 2.1(a) contained in Annex I hereto.

(c) Section 5.2(a)(v) is hereby amended by adding at the end of such clause the following additional language:

"or the continuation of the Company, LAC or Holdings as parties to the SSL Stockholders Agreements on or after the Distribution Date."

Please indicate your acceptance of and agreement to the foregoing Waiver With Respect to and Amendment of the Restructuring, Financing and Distribution Agreement by signing below.

Very truly yours,

LOCKHEED MARTIN CORPORATION

By: /s/ Frank H. Menaker, Jr.
Name: Frank H. Menaker, Jr.
Title: Vice President and General Counsel

ACCEPTED AND AGREED AS OF THE DATE FIRST ABOVE WRITTEN:

LORAL CORPORATION

By: /s/ Eric J. Zahler
Name: Eric J. Zahler
Title: Vice President, General Counsel and Assistant Secretary

LORAL SPACE & COMMUNICATIONS LTD.

By: /s/ Eric J. Zahler
Name: Eric J. Zahler
Title: Vice President, General Counsel and Secretary

LORAL AEROSPACE HOLDINGS, INC.

By: /s/ Eric J. Zahler
Name: Eric J. Zahler
Title: Vice President and Assistant Secretary

LORAL AEROSPACE CORP.

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President and Assistant Secretary

LORAL GENERAL PARTNER, INC.

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President and Assistant Secretary

LORAL GLOBALSTAR L.P.

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President and Assistant Secretary

LORAL GLOBALSTAR LIMITED

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President

ANNEX 1

Section 2.1. Transfer of Assets

(a) Subject to the terms and conditions of this Agreement:

(i) prior to the Distribution Date, Loral shall form SS/L Bermuda, Ltd. ("SS/L Bermuda") and LGP Bermuda, Ltd. ("LGPB") as wholly-owned Bermuda corporations and Loral SpaceCom Corporation, as a wholly-owned Delaware corporation ("Loral SpaceCom-US");

(ii) prior to the Distribution Date, Loral shall form Loral SpaceCom DBS Holdings, Inc. ("SpaceCom DBS Holdings") as a wholly-owned subsidiary of Loral SpaceCom and Loral SpaceCom DBS, Inc. ("SpaceCom DBS") as a wholly-owned subsidiary of SpaceCom DBS Holdings;

(iii) prior to the Distribution Date, LG shall transfer to LGP all of its right, title and interest in and to all shares of capital stock owned by LG in GTL, by means of a non-liquidating distribution to LGP of such equity securities;

(iv) following the action referred to in the immediately preceding clause, Cayman shall transfer to LGP all of its assets, including all of its right, title and interest in and to its partnership interest in LG, by means of a liquidating distribution in dissolution of Cayman under local law;

(v) following the action referred to in the immediately preceding clause, LG shall dissolve under Delaware law, pursuant to which LG shall transfer its right, title and interest in and to its partnership interests in LQP, LQSS, Globalstar, Loral/Dasa Globalstar, L.P. ("Dasa") and in and to any other Spinco Asset owned by LG to LGP (provided, however, that the transfers of such partnership interests pursuant to this subsection (a) shall be preceded by the written consent to such transfer by the other partners, but only to the extent such consent is required under the relevant partnership agreements);

(vi) following the action referred to in the immediately preceding clause, LGP shall distribute as a dividend all of its right, title and interest in and to (a) all properties received from LG pursuant to clause 2.1(a)(iii) hereof; (b) all properties received from LG pursuant to clause 2.1(a)(v) hereof; and (c) from its retained 2% interest in LQP, a 1% capital interest and a 1.75% profits interest in LQP to Aerospace;

(vii) following the action referred to in the immediately preceding clause, Aerospace shall distribute as a dividend all of its right, title and interest in and to (a) all properties received from LGP pursuant to clause 2.1(a)(vi) hereof; and (ii) all shares of capital stock owned by Aerospace in SS/L to Holdings;

(viii) following the action referred to in the immediately preceding clause, Loral DBS, Inc. ("DBS") shall distribute all right, title and interest in and to its properties in liquidation of DBS to Holdings, including any interest it may hold in Continental;

(ix) following the action referred to in the immediately preceding clause, LAH shall distribute all right, title and interest in and to (a) all of the capital stock of

Continental; (b) all properties received from Aerospace pursuant to clause 2.1(a)(vii) hereof; (c) all shares of capital stock owned by Holdings in SS/L (excluding the 731.85 shares to be transferred to SS/L Bermuda in exchange for a like number of SS/L Tracking Shares of SS/L Bermuda); (d) all shares of capital stock owned by Holdings in R/L DBS, L.L.C. ("R/L DBS"); and (e) all properties received from DBS pursuant to clause 2.1(a)(viii) hereof to Loral;

(x) following the action referred to in the immediately preceding clause, Loral Globalstar Canada, L.P., a Delaware limited partnership ("Canada"), shall dissolve under Delaware law, pursuant to which Canada shall distribute all right, title and interest and to any Spinco Asset owned by Canada to GC One, Inc., a Delaware corporation ("GC-1"), and GC Two, Inc. a Delaware corporation ("GC-2"), respectively;

(xi) following the action referred to in the immediately preceding clause, GC-1 and GC-2 shall transfer all properties received from Canada pursuant to clause 2.1(a)(x) hereof to Loral by means of a liquidating distribution in dissolution of GC-1 and GC-2 under Delaware law;

(xii) following the action referred to in the immediately preceding clause, Loral Fairchild, Inc., a Delaware corporation and indirect, wholly-owned subsidiary of Loral ("Fairchild"), shall distribute its entire beneficial interest in the CCD Lawsuit to Loral;

(xiii) following the action referred to in the immediately preceding clause, Loral shall cause any Subsidiary to distribute all right, title and interest in and to any Spinco Asset (other than the interest in LGP which is being contributed pursuant to clause (xvi) hereof) of such Subsidiary to Loral, to the extent not previously distributed to Loral pursuant to any of the preceding clauses of this Section 2.1(a);

(xiv) following the action referred to in the immediately preceding clause, Loral shall contribute all right, title and interest in and to (a) all shares of capital stock owned by Loral in SS/L and K&F to SS/L Bermuda; and (b) a 1% capital interest and 1.75% profits interest in LQP and all partnership interests in LQSS to LGPB as capital contributions to each entity;

(xv) following the action referred to in the immediately preceding clause, Parent shall transfer to Loral, as a capital contribution, $712,400,000 in immediately available funds, less any amount which the parties hereto have at such time agreed is owed to Parent pursuant to the provisions of Sections 4.1(a) and 4.1(c) hereof (the aggregate of such cash amount being hereinafter referred to as the "Spinco Cash Amount") and Loral shall then contribute all right, title and interest in and to (a) all properties described in clause 2.1
(a)(viii), clause (xi) and clause (xiii) hereof; (b) all properties received from LAH pursuant to clause 2.1(a)(ix) hereof (to the extent not previously contributed to SS/L Bermuda or LGPB pursuant to clause 2.1(a)(xiv) hereof); (c) all shares of capital stock in SS/L Bermuda and LGPB; (d) all shares of capital stock of Loral Travel Services, Inc., a Delaware corporation ("Travel"); (e) the entire beneficial interest in the CCD Lawsuit; (f) the 6.5% GTL Convertible Preferred Equivalent Obligations due 2006 owned by Loral; (g) all of the capital stock of Loral SpaceCom-US; (h) any other Spinco Asset owned by Loral to the extent not specifically referred to in any of the preceding or subsequent clauses of this Section 2.1(a); and (i) the Spinco Cash Amount to Loral SpaceCom in exchange for Loral SpaceCom Common Stock and Loral SpaceCom Preferred Stock, provided, however, that $344,000,000 of the

Spinco Cash Amount shall be in exchange for the Loral SpaceCom Preferred Stock and the balance shall be treated as additional consideration for the Loral SpaceCom Common Stock;

(xvi) following the action referred to in the immediately preceding clause, Aerospace shall distribute all right, title and interest in and to all of the capital stock of LGP to Holdings;

(xvii) following the action referred to in the immediately preceding clause, Holdings shall distribute all right, title and interest in and to all properties received from Aerospace pursuant to clause 2.1(a)(xvi) hereof to Loral; and

(xviii) following the action referred to in the immediately preceding clause, Loral shall contribute all right, title and interest in and to all properties received from Holdings pursuant to clause 2.1(a)(xvii) hereof to Loral SpaceCom as a capital contribution.

Exhibit 3.3

SECOND AMENDED AND RESTATED BYE-LAWS

OF

LORAL SPACE & COMMUNICATIONS LTD.

As adopted by the sole
shareholder of the above
Company by written
consent dated April 15,
1996.

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SCHEDULE I SERIES A PREFERRED SHARES

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SECOND AMENDED AND RESTATED

BYE-LAWS

OF

LORAL SPACE & COMMUNICATIONS LTD.

INTERPRETATION

1. In these Bye-Laws unless the context otherwise requires:

(a) "Bermuda" means the Islands of Bermuda;

(b) "Board" means the Board of Directors of the Company or the Directors present at a meeting of Directors at which there is a quorum;

(c) "Bye-Laws" means these Second Amended and Restated Bye-Laws in their present form or as from time to time amended;

(d) "Common Shares" means the Common Shares of par value $0.01 per share;

(e) "the Companies Acts" means every Bermuda statute from time to time in force concerning companies insofar as the same applies to the Company;

(f) "Company" means the company incorporated in Bermuda under the name of LORAL SPACE & COMMUNICATIONS LTD. on the 12th day of January, 1996;

(g) "paid up" means paid up or credited as paid up;

(h) "Preferred Shares" means the Series A Preferred Shares, the Series B Preferred Shares and any other series of

preferred shares of the Company designated as such by Resolution adopted from time to time.

(i) "Register" means the Register of Shareholders of the Company;

(j) "Registered Office" means the registered office for the time being of the Company;

(k) "Resolution" means a resolution of the Shareholders or, where required, of a separate class or separate classes of Shareholders, adopted in general meeting in accordance with the provisions of these Bye-Laws;

(l) "Seal" means the common seal of the Company and includes any duplicate thereof;

(m) "Secretary" includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;

(n) "Series A Preferred Shares" means the Series A Convertible Non-Voting Preferred Shares of par value $0.01 per share;

(o) "Series B Preferred Shares" means the Series B Preferred Shares of par value $0.01 per share issued in accordance with the shareholders right plan referred to in Bye-law 4;

(p) "Shareholder" means a shareholder or member of the Company;

(q) "shares" means Common Shares or Preferred Shares, or both, as the case may be.

2. For the purposes of these Bye-Laws:

(a) A corporation shall be deemed to be present in person if its representative duly authorized pursuant to the Companies Acts is present;

(b) Words importing only the singular number include the plural number and vice versa;

(c) Words importing only the masculine gender include the feminine and neuter genders respectively;

(d) Words importing persons include companies or associations or bodies of persons, whether corporate or un-incorporate;

(e) Reference to writing shall include typewriting, printing, lithography, photography and other modes of representing or reproducing words in a legible and non-transitory form;

(f) Any words or expressions defined in the Companies Acts in force at the date when these Bye-Laws or any part thereof are adopted shall bear the same meaning in these Bye-Laws or such part (as the case may be).

REGISTERED OFFICE

3. The Registered Office shall be at such place in Bermuda as the Board shall from time to time appoint.

SHARE CAPITAL AND VARIATION OF RIGHTS

4. (a) Subject to Bye-Law 43, any share in the Company may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may

from time to time determine. The respective rights and restrictions attached to the Series A Preferred Shares and Series B Preferred Shares are set forth in Schedules I and II (as the same may be amended from time to time) to these Bye-Laws, which Schedules shall be deemed to be incorporated in and form part of this Bye-law 4.

(b) Without limiting the foregoing and subject to the Companies Acts, the Company may issue Preferred Shares which:

(i) are liable to be redeemed on the happening of a specified event or on a given date; and/or

(ii) are to be redeemed at the option of the Company.

The terms and manner of redemption of shares of any class of share capital of the Company the terms of which are set forth in the Company's Bye-Laws may only be modified by way of amendment to such Bye-Laws.

5. The Company may adopt a scheme or arrangement (hereinafter called a "shareholder rights plan") providing for the creation and issuance of rights entitling the Shareholders of the Company or certain of them, to purchase from the Company shares of any class or assets of the Company or a subsidiary of the Company or otherwise, and the terms and conditions of such shareholder rights plan and the rights may be amended or modified as the Directors or any committee thereof may determine.

6. Subject to the Companies Acts, all or any of the special rights for the time being attached to any class of shares for the time being issued may, unless otherwise provided in the rights attaching to or by the term of issue of the shares of that

class, from time to time (whether or not the Company is being wound up), be altered or abrogated with the sanction of a Resolution passed at a separate general meeting of the holders of shares of that class by a majority of the votes cast. To any such separate general meeting, all the provisions of these Bye-Laws as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two or more persons holding or representing by proxy thirty-three per cent of the shares of the relevant class; provided, however, that if the Company or a class of Shareholders shall have only one Shareholder present in person or by proxy, one Shareholder shall constitute the necessary quorum.

7. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

SHARES

8. (a) Subject to the provisions of these Bye-Laws, the unissued shares of the Company (whether forming part of the original capital or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.

(b) The Board may issue its shares in fractional denominations and deal with such fractions to the same extent as

its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all the rights of the whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding up.

9. The Board may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by law.

10. The Company shall be entitled to treat the holder of record of any share or shares of capital stock as the holder in fact thereof. Accordingly, except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognized by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as otherwise provided in these Bye-Laws or by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

CERTIFICATES

11. The shares shall be issued in registered form and shall be evidenced by share certificates in such form as the Directors may from time to time prescribe. The preparation, issue and delivery of share certificates shall be governed by the Companies Acts. In the case of a share held jointly by several persons,

delivery of a certificate to one of several joint holders shall be sufficient delivery to all.

12. If a share certificate is defaced, lost or destroyed, it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of the costs and out of pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board or the Company's transfer agent may think fit and, in case of defacement, on delivery of the old certificate to the Company.

13. All certificates for shares (other than letters of allotment, scrip certificates and other like documents) shall, except to the extent that the terms and conditions for the time being relating thereto otherwise provide, be issued under the Seal. Each certificate shall be signed by the Chairman of the Board, President or a Vice-President and also by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer, and shall be sealed with the seal of the Company, which may be facsimile. If the certificate is signed by either a transfer agent or a transfer clerk acting on behalf of the Company and a registrar, the signature or any such officer of the Company and the signature of a transfer agent acting on behalf of the Company may be facsimile. In the case of any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Company, whether because of death, resignation or otherwise, such certificate or certificates may nevertheless be adopted by the

Company and be used and delivered as though the officer or officers who signed the said certificate or certificates or whose facsimile signature or signature shall have been used thereon had not ceased to be such officer or officers of the Company. The Board may by resolution determine, either generally or in any particular case, that any signatures on any such certificates need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon or that such certificates need not be signed by any persons.

LIEN

14. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable, at a date fixed by or in accordance with the terms of issue of such share in respect of such share, and the Company shall also have a first and paramount lien on every share (other than a fully paid share) standing registered in the name of a Shareholder, whether singly or jointly with any other person, for all the debts and liabilities of such Shareholder or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such Shareholder, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person, whether a Shareholder or not. The Company's lien on a share shall extend to all dividends payable thereon. The Board may at any time, either generally or

in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Bye-Law.

15. The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share.

16. The net proceeds of sale by the Company of any shares on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the Board may authorize some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

17. The Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares (whether on account of the par value of the shares or by way of premium) and not by the terms of issue thereof made payable at a date fixed by or in accordance with such terms of issue, and each Shareholder shall (subject to the Company serving upon him at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.

18. A call may be made payable by installments and shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed.

19. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

20. If a sum called in respect of the share shall not be paid before or on the day appointed for payment thereof the person from whom the sum is due shall pay interest on the sum from the day appointed for the payment thereof to the time of actual payment at such rate as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.

21. Any sum which, by the terms of issue of a share, becomes payable on allotment or at any date fixed by or in accordance with such terms of issue, whether on account of the nominal amount of the share or by way of premium, shall for all

the purposes of these Bye-Laws be deemed to be a call duly made, notified and payable on the date on which, by the terms of issue, the same becomes payable and, in case of non-payment, all the relevant provisions of these Bye-Laws as to payment of interest, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

22. The Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

FORFEITURE OF SHARES

23. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of such call or installment remains unpaid serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

24. The notice shall name a further day (not being less than 14 days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that, in the event of nonpayment on or before the day and at the place appointed, the shares in respect of which such call is made or installment is payable will be liable to be forfeited. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Bye-Laws to forfeiture shall include surrender.

25. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has

been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

26. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.

27. A forfeited share shall be deemed to be the property of the Company and may be sold, re-offered or otherwise disposed of either to the person who was, before forfeiture, the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Board shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture may be canceled on such terms as the Board may think fit.

28. A person whose shares have been forfeited shall thereupon cease to be a Shareholder in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon at such rate as the Board may determine from the date of forfeiture until payment, and the Company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited.

29. An affidavit in writing that the deponent is a Director or the Secretary and that a share has been duly forfeited on the date stated in the affidavit shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for the share on the sale, re-allotment or disposition thereof and the Board may authorize some person to transfer the share to the person to whom the same is sold, re-allotted or disposed of, and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal of the share.

REGISTER OF SHAREHOLDERS

30. The Register of Shareholders of the Company containing the names and addresses of the Shareholders and the number of shares held by them respectively, shall be kept in the manner prescribed by the Companies Acts at the Registered Office by the Secretary or at the offices of the transfer agent of the Company or at such other location as may be authorized by the Board from time to time. Unless the Board otherwise determines, the Register of Shareholders shall be open to inspection at the Registered Office of the Company in the manner prescribed by the Companies Acts between 10:00 a.m. and 12:00 noon on every working day. Unless the Board so determines, no Shareholder or intending Shareholder shall be entitled to have entered in the Register any

indication of any trust or any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share and if any such entry exists or is permitted by the Board it shall not be deemed to abrogate any provisions of Bye-Law 10.

REGISTER OF DIRECTORS AND OFFICERS

31. The Secretary shall establish and maintain a register of the Directors and Officers of the Company as required by the Companies Acts. The register of Directors and Officers shall be open to inspection in the manner prescribed by the Companies Acts between 10:00 a.m. and 12:00 noon on every working day.

TRANSFER OF SHARES

32. Subject to the Companies Acts and to such of the restrictions contained in these Bye-Laws as may be applicable, any Shareholder may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve or in accordance with the general rules and standard practices of any exchange on which such shares are then listed.

33. The instrument of transfer of a share shall be signed by or on behalf of the transferor and where any share is not fully paid the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. All instruments of transfer when registered may be retained by the Company. The Board may, in its absolute discretion and without assigning any reason therefor, decline to register any transfer of any share

which is not a fully-paid share. The Board may also decline to register any transfer unless:

(a) the instrument of transfer is duly stamped, if required, and lodged with the Company, accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

(b) the instrument of transfer is in respect of only one class of share,

(c) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained. Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under this Bye-Law and Bye-Laws 32 and 34.

34. If the Board declines to register a transfer it shall, within three months after the date on which the instrument of transfer was lodged, send to the transferee notice of such refusal.

35. No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title to any share, or otherwise making an entry in the Register relating to any share.

TRANSMISSION OF SHARES

36. In the case of the death of a Shareholder, the survivor or survivors, where the deceased was a joint holder, and the

estate representative, where he was sole holder, shall be the only person recognized by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether the sole or joint) from any liability in respect of any share held by him solely or jointly with other persons. For the purpose of this Bye-Law, estate representative means the person to whom probate or letters of administration has or have been granted in Bermuda or, failing any such person, such other person as the Board may in its absolute discretion determine to be the person recognized by the Company for the purpose of this Bye-Law.

37. Any person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law may, subject as hereafter provided and upon such evidence being produced as may from time to time be required by the Board as to his entitlement, either be registered himself as the holder of the share or elect to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have his nominee registered, he shall signify his election by signing an instrument of transfer of such share in favor of his nominee. All the limitations, restrictions and provisions of these Bye-Laws relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or instrument of transfer as aforesaid as if the death of the

Shareholder or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer signed by such Shareholder.

38. A person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law shall (upon such evidence being produced as may from time to time be required by the Board as to his entitlement) be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of the share to receive notices of or to attend or vote at general meetings of the Company or, save as aforesaid, to exercise in respect of the share any of the rights or privileges of a Shareholder until he shall have become registered as the holder thereof. The Board may at any time give notice requiring such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the Board may thereafter withhold payment of all dividends and other moneys payable in respect of the shares until the requirements of the notice have been complied with.

39. Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under Bye-Laws 36, 37 and 38.

INCREASE OF CAPITAL

40. The Company may from time to time increase its capital by such sum to be divided into shares of such par value as the Company by Resolution shall prescribe.

41. The Company may, by the Resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance either at par or at a premium or (subject to the provisions of the Companies Acts) at a discount to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or make any other provision as to the issue of the new shares.

42. The new shares shall be subject to all the provisions of these Bye-Laws with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

ALTERATION OF CAPITAL

43. The Company may from time to time by Resolution:

(a) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(b) consolidate and divide all or any of its share capital into shares of larger par value than its existing shares;

(c) sub-divide its shares or any of them into shares of smaller par value than is fixed by its memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(d) make provision for the issue and allotment of shares which do not carry any voting rights;

(e) cancel shares which, at the date of the passing of the Resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled; and

(f) change the denomination of its share capital. Where any difficulty arises in regard to any division, consolidation, or sub-division under this Bye-Law, the Board may settle the same as it thinks expedient and, in particular, may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the Shareholders who would have been entitled to the fractions, and for this purpose the Board may authorize some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

44. Subject to the Companies Acts and to any confirmation or consent required by law or these Bye-Laws, the Company may by Resolution from time to time convert any preference shares into redeemable preference shares.

REDUCTION OF CAPITAL

45. Subject to the Companies Acts, its memorandum and any confirmation or consent required by law or these Bye-Laws, the Company may from time to time by Resolution authorize the reduction of its issued share capital or any capital redemption

reserve fund or any share premium or contributed surplus account in any manner.

46. In relation to any such reduction, the Company may by Resolution determine the terms upon which such reduction is to be effected including in the case of a reduction of part only of a class of shares, those shares to be affected.

GENERAL MEETINGS

47. (a) The Board shall convene and the Company shall hold general meetings as Annual General Meetings in accordance with the requirements of the Companies Acts at such times and places as the Board shall appoint. The Board may, whenever it thinks fit, and shall, at the written request of shareholders holding not less than 10% of the paid-up capital of the Company carrying the right to vote at such proposed meeting, convene general meetings other than Annual General Meetings which shall be called Special General Meetings. With respect to Special General Meetings, any written request by a Shareholder under the Act shall not be valid unless it states the purpose of the proposed meeting and is delivered to the Chairman of the Board at the registered office of the Company no less than six weeks nor more than ten weeks prior to the date proposed for such meeting or the latest date at which such meeting must be held at the request of such shareholders pursuant to the provisions of the Companies Act and shall otherwise comply with the provisions of U.S. securities laws. Any Shareholder's notice relating to the conduct of business other than the election of Directors must contain certain information about such business and about the proposing

Shareholders including, without limitation, a brief description of the business such Shareholder proposed to bring before the meeting, the reasons for conducting such business at such meeting, the name and address of such shareholder, the class and number of shares of the Company beneficially owned by the such Shareholder, and any material interest of such Shareholder in the business so proposed. If the Chairman of the Board or other officer presiding at such meeting determines that any business brought before a meeting was not brought in accordance with the provisions set forth above, such business will not be conducted at the meeting.

(b) Until such time as the appointment by the Company of a resident representative under section 130 (2) of the Companies Act becomes effective, the Company may act by resolution in writing signed by all the shareholders who at the date of such resolution would be entitled to attend a shareholder meeting. Thereafter, the taking of shareholder action by way of written resolution shall be expressly prohibited.

NOTICE OF GENERAL MEETINGS

48. An Annual General Meeting shall be called by not less than 20 days' notice in writing and a Special General Meeting shall be called by not less than 30 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of the meeting, and, in the case of a Special General Meeting, the general nature of the business to be considered. Notice of every general meeting shall

be given in any manner permitted by Bye-Laws 124, 125 and 126 to all Shareholders other than those which, under the provisions of these Bye-Laws or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this Bye-Law, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an Annual General Meeting, by all the shareholders entitled to attend and vote thereat;

(ii) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

49. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

50. (a) No business shall be transacted at any Annual General Meeting of the Shareholders unless such business has been brought before the meeting by, or at the direction of the Chairman of the Board or by Shareholders who have given written notice of their intent to bring such business before the meeting not less than 6 weeks nor more than 10 weeks prior to the first

anniversary of the previous year's Annual General Meeting. No business shall be transacted at any special general meeting of the Shareholders unless such business has been stated in the notice of such meeting sent to the Shareholders prior to the meeting.

(b) No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting. Save as otherwise provided by these Bye-Laws, Shareholders together representing in person or by proxy and entitled to vote more than 50% of the voting capital of the Company shall be a quorum for all purposes; provided, however, that if the Company shall have only one Shareholder, one Shareholder present in person or by proxy shall constitute the necessary quorum.

51. If within five minutes (or such longer time as the chairman of the meeting may determine to wait) after the time appointed for the meeting, a quorum is not present, the meeting, if convened on the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to such other day and such other time and place as the chairman of the meeting may determine, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called.

52. Except as otherwise provided in these Bye-Laws and subject to the provisions of the Companies Act, any question proposed for the consideration by the Shareholders shall be decided on by a simple majority of the votes cast by Shareholders entitled to vote at such meeting.

53. (a) Notwithstanding the provisions of these Bye-laws, the affirmative vote of Shareholders holding at least 80% of the shares of the Company carrying voting rights then outstanding shall be necessary to approve any Business Combination proposed by an Interested Shareholder, as these terms are defined below, provided that such additional voting requirement shall not apply if: (i) the Business Combination was approved by not less than a majority of the Continuing Directors (as defined below) or (ii) a series of conditions are satisfied requiring (1) that the consideration to be paid to the Company's Shareholders in the Business Combination must be at least equal to the higher of

(x) the highest per-share price paid by the Interested Shareholder in acquiring any Common Shares during the two years prior to the announcement date of the Business Combination or in the transaction in which it became an Interested Shareholder (the "Determination Date"), whichever is higher or (y) the fair market value per Common Shares on the announcement date or Determination Date, whichever is higher, in either case appropriately adjusted for any shares dividend, stock split, combination of shares or similar event (any non-cash consideration is treated similarly) and (2) certain "procedural" requirements are complied with, such as the solicitation of proxies pursuant to the rules of the

Securities and Exchange Commission and no decrease in regular dividends (if any) after the Interested Shareholder became an Interested Shareholder (except as approved by a majority of the Continuing Directors).

(b) An "Interested Shareholder" is defined as anyone who is the beneficial owner of more than 15% shares carrying voting rights, other than the Company and any employee stock plans sponsored by the Company, and includes any person who is an assignee of, or has succeeded to any voting shares in a transaction not involving a public offering that were at any time within the prior two-year period beneficially owned by, an Interested Shareholder. The term "beneficial owner" includes persons directly and indirectly owning or having the right to acquire or vote the shares. Interested Shareholders participate fully in all shareholder voting.

(c) A "Business Combination" includes the following transactions: (i) merger or consolidation of the Company or subsidiary with an Interested Shareholder or with any other corporation or entity which is, or after such merger or consolidation would be, an affiliate of an Interested Shareholder;
(ii) the sale or other disposition by the Company or subsidiary of assets having a fair market value of $5,000,000 or more if an Interested Shareholder (or an affiliate thereof) is a party to the transaction; (iii) the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of an Interested Shareholder (or an affiliate thereof); or (iv) any reclassification of securities,

recapitalization, merger with a subsidiary, or other transaction which has the effect, directly or indirectly, of increasing the proportionate share of any class of the outstanding shares (or securities convertible into shares) of the Company or a subsidiary owned by an Interested Shareholder (or an affiliate thereof). Determinations of the fair market value of any non-cash consideration are made by a majority of the Continuing Directors.

(d) As used in these Bye-Laws, the term "Continuing Directors", means any member of the Board of Directors of the Company, while such person is a member of the Board, who is not an affiliate or associate or representative of the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director while such successor is a member of the Board, who is not an affiliate or associate or representative of the Interested Shareholder and is recommended or elected to succeed the Continuing Director by a majority of Shareholder Continuing Directors.

54. A meeting of the Shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting.

55. Each Director shall be entitled to attend and speak at any general meeting of the Company.

56. The Chairman (if any) of the Board or, in his absence, the President shall preside as chairman at every general meeting. If there is no such Chairman or President, or if at any meeting neither the Chairman nor the President is present within five minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one of their number to act or if one Director only is present he shall preside as chairman if willing to act. If no Director is present or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll shall elect one of their number to be chairman.

57. The chairman of the meeting may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for three months or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

58. Save as expressly provided by these Bye-Laws, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

VOTING

59. Save where a greater majority is required by the Companies Acts or these Bye-Laws, any question proposed for

consideration at any general meeting shall be decided as set forth in Bye-Law 52 above.

60. At any general meeting, a Resolution put to the vote of the meeting shall be decided on a poll in accordance with the provisions of the Companies Act.

61. Each Shareholder present in person or by proxy shall have one vote for each share held. The result of the poll shall be deemed to be the Resolution of the meeting at which the poll demanded.

62. Votes may be cast either personally or by proxy.

63. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

64. In the case of an equality of votes at a general meeting, the chairman of such meeting shall not be entitled to a second or casting vote.

65. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holdings.

66. A Shareholder who is a patient for any purpose of any statute or applicable law relating to mental health or in respect of whom an order has been made by any Court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator

bonis appointed by such Court and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as such Shareholder for the purpose of general meetings.

67. No Shareholder shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

68. If (i) any objection shall be raised to the qualification of any voter or (ii) any votes have been counted which ought not to have been counted or which might have been rejected or (iii) any votes are not counted which ought to have been counted, the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any Resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any Resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

PROXIES AND CORPORATE REPRESENTATIVES

69. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorized by him in writing or, if the appointor is a corporation, either

under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

70. Any Shareholder may appoint a standing proxy or (if a corporation) representative by depositing at the Registered Office a proxy or (if a corporation) an authorization and such proxy or authorization shall be valid for all general meetings and adjournments thereof as the case may be, until notice of revocation is received at the Registered Office. Where a standing proxy or authorization exists, its operation shall be deemed to have been suspended at any general meeting or adjournment thereof at which the Shareholder is present or in respect to which the Shareholder has specially appointed a proxy or representative. The Board may from time to time require such evidence as it shall be necessary as to the due execution and continuing validity of any such standing proxy or authorization and the operation of any such standing proxy or authorization shall be deemed to be suspended until such time as the Board determines that it has received the requested evidence or other evidence satisfactory to it.

71. Subject to Bye-Law 70, the instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require, shall be delivered at the Registered Office (or at such place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) prior to the holding of the relevant meeting or adjourned meeting at which the person named in the instrument proposes to vote or,

in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

72. Instruments of proxy shall be in any common form or in such other form as the Board may approve and the Board may, if it thinks fit, send out with the notice of any meeting forms of instruments of proxy for use at that meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a Resolution put to the meeting for which it is given as the proxy think fit. The instrument of proxy shall unless the contrary is stated therein be valid as well for any adjournment of the meeting as for the meeting to which it relates.

73. A vote given in accordance with the term of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no instrument in writing of such death, insanity or revocation shall have been received by the Company at the Registered Office (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith) one hour at least before the commencement of the meeting or adjourned meeting, or the taking of the poll.

74. Subject to the Companies Acts, the Board may at its discretion waive any of the provisions of these Bye-Laws related

to proxies or authorizations and, in particular, may accept such verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any Shareholder at general meetings.

APPOINTMENT AND REMOVAL OF DIRECTORS

75. The number of Directors shall be such number not less than two nor more than 15 as the Company by Resolution may from time to time determine and shall serve unless removed until their successors are appointed in accordance with the provisions of these Bye-Laws.

76. Nominations of persons for election to the Board at an Annual General Meeting may be made by the Board and any number of Shareholders holding at least 5% of the total voting rights of all Shareholders or no less than 100 Shareholders who have given written notice to the Secretary of the Company not less than 6 weeks nor more than 10 weeks prior to the anniversary of the previous year's Annual General Meeting, provided that no person other than a Director whose term shall have expired at an Annual General Meeting shall be eligible for election by the Shareholders unless the person has been recommended by the Directors in the notice of Annual General Meeting sent to the Shareholders.

77. Any Shareholder's notice to the Company proposing to nominate a person for election as a Director must contain the identity and address of the nominating shareholder, the class and number of shares of the Company which are owned by such Shareholder and all information regarding the proposed nominee

that would be required to be included in a proxy statement soliciting proxies for the proposed nominee and such other information as shall be necessary to enable the Board to evaluate the proposed nomination. If the Chairman of the Board or other officer presiding at a meeting determines that a person was not nominated in accordance with the provisions set forth above, such person will not be eligible for election as a Director.

78. The Directors shall be divided into three classes, as nearly equal to in number as possible. One class of Directors shall be elected for term expiring at the Annual General Meeting of the Shareholders to be held in 1997, another class shall be elected for a term expiring at the Annual General Meeting of the shareholders to be held in 1998, and another class shall be elected for a term expiring at the Annual General Meeting of the Shareholders to be held in 1999. Members of each class shall hold office unless earlier removed until their successors are elected or appointed. At each succeeding Annual General Meeting the successors of the class of Directors whose term expires at the meeting shall be elected by a majority vote of all votes cast at such meeting to hold office for a term expiring at the Annual General Meeting of the Shareholders held in the third year following the year of their election.

79. The Company shall at the Annual General Meeting and may by Resolution determine the number of Directors and may by Resolution determine that one or more vacancies in the Board shall be deemed casual vacancies for the purposes of these Bye-Laws. Without prejudice to the power of the Company by

Resolution in pursuance of any of the provisions of these Bye-Laws to appoint any person to be a Director, any vacancy on the Board may be filled by the Directors, so long as a quorum of Directors remains in office.

80. Directors may be removed by the vote of the Shareholders at a Special General Meeting specifically called for that purpose and only for cause. A Director may not be removed at a Special General Meeting unless notice of any such meeting shall have been served upon the Director concerned not less than 14 days before the meeting and such Director has been given an opportunity to be heard at that meeting. Any Resolution contemplating the removal of any Director must be adopted by Shareholders holding not less than eighty percent (80%) of the shares of the Company at the time in issue and outstanding and entitled to vote generally in the election of Directors. Any vacancy created by the removal of a Director at a Special General Meeting may be filled at such meeting by the election of another Director in his or her place, or in the absence of such election, by the Board.

RESIGNATION AND DISQUALIFICATION OF DIRECTORS

81. The office of a Director shall be vacated upon the happening of any of the following events:

(a) if he resigns his office by notice in writing delivered to the Registered Office or tendered at a meeting of the Board;

(b) if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that his office is vacated;

(c) if he becomes bankrupt or compounds with his creditors;

(d) if he is prohibited by law from being a Director;

(e) if he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to these Bye-Laws.

ALTERNATE DIRECTORS

82. The Company may by Resolution elect any person or persons to act as Directors in the alternative to any of the Directors or may authorize the Board to appoint such Alternate Directors and a Director may appoint and remove his own Alternate Director. Any appointment or removal of an Alternate Director by a Director shall be effected by depositing a notice of appointment or removal with the Secretary at the Registered Office, signed by such Director, and such appointment or removal shall become effective on the date of receipt by the Secretary. Any Alternate Director may be removed by Resolution of the Company and, if appointed by the Board, may be removed by the Board. Subject as aforesaid, the office of Alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. An Alternate Director may also be a Director in his own right and may act as alternate to more than one Director.

83. An Alternate Director shall be entitled to receive notices of all meetings of Directors, to attend, be counted in the quorum and vote at any such meeting at which any Director to whom he is alternate is not personally present, and generally to perform all the functions of any Director to whom he is alternate in his absence.

84. Every person acting as an Alternate Director shall (except as regards powers to appoint an alternate and remuneration) be subject in all respects to the provisions of these Bye-Laws relating to Directors and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for any Director for whom he is alternate. An Alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent mutatis mutandis as if he were a Director. Every person acting as an Alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). The signature of an Alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the terms of his appointment provides to the contrary, be as effective as the signature of the Director or Directors to whom he is alternate.

DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES

85. The amount, if any, of Directors' fees shall from time to time be determined by the Board and in the absence of a determination to the contrary, such fees shall be deemed to accrue from day to day. Each Director may be paid his reasonable

traveling, hotel and incidental expenses in attending and returning from meetings of the Board or committees constituted pursuant to these Bye-Laws or general meetings and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-Law.

DIRECTORS' INTERESTS

86. (a) A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-Law.

(b) A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(c) Subject to the provisions of the Companies Acts, a Director may notwithstanding his office be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is interested. The Board may also cause the voting power conferred by the shares in any other Company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be Directors or officers of such other company, or voting or providing for the payment of remuneration to the Directors or officers of such other company.

(d) So long as, where it is necessary, he declares the nature of his interest at the first opportunity at a meeting of the Board or by writing to the Directors as required by the Companies Acts, a Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which these Bye-Laws allow him to be appointed or from any transaction or arrangement in which these Bye-Laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.

(e) Subject to the Companies Acts and any further disclosure required thereby, a general notice to the Directors by

a Director or officer declaring that he is a Director or officer or has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person, shall be a sufficient declaration of interest in relation to any transaction or arrangement so made.

POWERS AND DUTIES OF THE BOARD

87. Subject to the provisions of the Companies Acts and these Bye-Laws, the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company and may exercise all the powers of the Company. No alteration of these Bye-Laws shall invalidate any prior act of the Board which would have been valid if that alteration had not been made. The powers given by this Bye-Laws shall not be limited by any special power given to the Board by these Bye-Laws and a meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.

88. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons.

89. All checks, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not,

and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.

90. The Board on behalf of the Company may provide benefits, whether by the payment of gratuities or pensions or otherwise, for any person including any Director or former Director who has held any executive office or employment with the Company or with any body corporate which is or has been a subsidiary or affiliate of the Company or a predecessor in the business of the Company or of any such subsidiary or affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person.

91. The Board may from time to time appoint one or more of its body to hold an executive office with the Company for such period and upon such terms as the Board may determine and may revoke or terminate any such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Any person so appointed shall receive such remuneration (if any) (whether by way of salary, commission, participation in profits or otherwise)

as the Board or any committee thereof may determine, and either in addition to or in lieu of his remuneration as a Director.

DELEGATION OF THE BOARD'S POWERS

92. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-Laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney and of such attorney as the Board may think fit, and may also authorize any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

93. The Board may entrust to and confer upon any Director or officer any of the powers exercisable by it upon such terms and conditions with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

94. The Board may delegate any of its powers, authorities and discretions to committees, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit. Any committee so formed shall, in the exercise of

the powers, authorities and discretions so delegated, conform to any regulations which may be imposed upon it by the Board.

PROCEEDINGS OF THE BOARD

95. The Board may meet for the dispatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of the votes cast. In the case of an equality of votes the motions shall be deemed to have been lost. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the board.

96. Notice of a meeting of the board shall be deemed to be duly given to a Director if it is given to him personally or by word of mouth or sent to him by post, cable, telex, telecopier or other mode of representing or reproducing words in a legible and non-transitory form at his last known address or any other address given by him to the Company for this purpose. A Director may waive notice of any meeting either prospectively or retroactively or at such meeting to which the notice would have applied.

97. (a) The quorum necessary for the transaction of business at any meeting of the Board shall be two individuals until such time as the appointment by the Company of a resident representative under section 130(2) of the Companies Acts becomes effective. Thereafter, the quorum shall be a majority of the Board. Any Director who ceases to be a Director at a meeting of the Board may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting if

no other Director objects and if otherwise a quorum of Directors would not be present.

(b) A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contact, transaction or arrangement with the Company and has complied with the provisions of the Companies Acts and these Bye-Laws with regard to disclosure of his interest shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present.

98. So long as a quorum of Directors remains in office, the continuing Directors may act notwithstanding any vacancy in the Board but, if no such quorum remains, the continuing Directors or a sole continuing Director may act only for the purpose of calling a general meeting.

99. The Chairman (if any) of the Board or, in his absence, the President shall preside as chairman at every meeting of the Board. If there is no such Chairman or President, or if at any meeting the Chairman or the President is not present within five minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present may choose one of their number to be chairman of the meeting.

100. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Bye-Laws for regulating the meetings and proceedings of the Board so far as the same are

applicable and are not superseded by any regulations imposed by the Board.

101. A resolution in writing signed by all the Directors for the time being entitled to receive notice of a meeting of the Board or by all the members of a committee for the time being shall be as valid and effectual as a resolution passed at a meeting of the Board or, as the case may be, of such committee duly called and constituted. Such resolution may be contained in one document or in several documents in the like form each signed by one or more of the Directors or members of the committee concerned.

102. A meeting of the Board or a committee appointed by the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting.

103. All acts done by the Board or by any committee or by any person acting as a Director or member of a committee or any person duly authorized by the Board or any committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated their office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director, member of such committee or person so authorized.

OFFICERS

104. (a) The officers of the Company shall include a President and a Vice-President or a Chairman of the Board of Directors and a Deputy Chairman who shall be Directors and, subject to Bye-Law 104(c) below, who may be elected by the Board as soon as possible after each Annual General Meeting. In addition, the Board may appoint any person whether or not he is a Director to hold such office as the Board may from time to time determine. Any person elected or appointed pursuant to this Bye-Law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such election or appointment with or without cause, at any time by the affirmative vote of a majority of the Directors then in office. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board. Any such revocation or termination shall be without prejudice to any claim for damages that such officer may have against the Company or the Company may have against such officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Companies Acts or these Bye-Laws, the powers and duties of the officers of the Company shall be such (if any) as are determined from time to time by the Board.

(b) Any officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein and, if no time be specified at the time of its receipt by the president, vice-president or secretary, the

acceptance of which resignation shall not be necessary to make it effective.

(c) Until such time as the appointment by the Company of a resident representative under section 130 (2) of the Companies Act becomes effective, the Shareholder of the Company may appoint the officers of the Company upon such terms and conditions as the Shareholder may determine.

(d) The salaries of the Chairman of the Board, the Chairman of the Executive Committee, if any, the President, any Vice-President, the Secretary and the Treasurer shall be fixed by the Board. The salaries of all other officers and agents of the Company shall be fixed by the Board or by such officer or officers as the Board may designate.

MINUTES

105. The Directors shall cause minutes to be made and books kept for the purpose of recording:

(a) all appointments of officers made by the Directors;

(b) the names of the Directors and other persons (if any) present at each meeting of Directors and of any committee;

(c) of all proceedings at meetings of the Company, of the holders of any class of shares in the Company, and of committees;

(d) of all proceedings of managers (if any).

SECRETARY

106. The Secretary shall be appointed by the Board at such remuneration (if any) and upon such terms as it may think fit and

any Secretary so appointed may be removed by the Board. The duties of the Secretary shall be those prescribed by the Companies Acts together with such other duties as shall from time to time be prescribed by the Board.

107. A provision of the Companies Acts or these Bye-Laws requiring or authorizing a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in the place of, the Secretary.

THE SEAL

108. (a) The Seal shall consist of a circular metal device with the name of the Company around the outer margin thereof and the country and year of incorporation across the center thereof. Should the Seal not have been received at the Registered Office in such form at the date of adoption of this Bye-Law then, pending such receipt any document requiring to be scaled with the Seal shall be sealed by affixing a red wafer seal to the document with the name of the Company, and the country and year of incorporation type written across the center thereof.

(b) The Board shall provide for the custody of every Seal. A Seal shall only be used by authority of the Board or of a committee constituted by the Board. Subject to Companies Acts, any instrument to which a Seal is affixed may be signed by a Director or an Officer of the Company, or by any person who has been authorized by the Board either generally or specifically to attest to the use of a Seal.

DIVIDENDS AND OTHER PAYMENTS

109. The Board may from time to time declare cash dividends or distributions out of contributed surplus to be paid to the Shareholders according to their rights and interests including such interim dividends as appear to the Board to be justified by the position of the Company. The Board may also pay any fixed cash dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company, in the opinion of the Board, justifies such payment.

110. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:

(a) all dividends or distributions out of contributed surplus may be declared and paid according to the amounts paid-up on the shares in respect of which the dividend or distribution is paid, and an amount paid-up on a share in advance of calls may be treated for the purpose of this Bye-Law as paid-up on the share;

(b) dividends or distributions out of contributed surplus may be apportioned and paid pro rata according to the amounts paid-up on the shares during any portion or portions of the period in respect of which the dividend or distribution is paid.

111. The Board may deduct from any dividend, distribution or other moneys payable to a Shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.

112. No dividend, distribution or other moneys payable by the Company on or in respect of any Common Share shall bear interest against the Company.

113. Any dividend, distribution, interest or other sum payable in cash to the holder of shares may be paid by check, warrant or other means approved by the Board, in the case of a check or warrant sent through the post addressed to the holder at his address in the Register or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his registered address as appearing in the Register or addressed to such person at such address as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first in the Register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.

114. Any dividend or distribution out of contributed surplus unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend, distribution, interest or other sum payable

on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof.

115. The Board may direct payment or satisfaction of any dividend or distribution out of contributed surplus wholly or in part by the distribution of specific assets, and in particular of paid-up shares or debentures of any other company, and where any difficulty arises in regard to such distribution or dividend the Board may settle it as it thinks expedient, and in particular, may authorize any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution or dividend purposes of any such specific assets and may determine that cash payments shall be made to any Shareholders upon the footing of the values so fixed in order to secure equality of distribution and may vest any such specific assets in trustees as may seem expedient to the Board.

RESERVES

116. The Board may, before recommending or declaring any dividend or distribution out of contributed surplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

CAPITALIZATION OF PROFITS

117. The Company may, upon the recommendation of the Board, at any time and from time to time pass a Resolution to the effect that it is desirable to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account or any capital redemption reserve fund and accordingly that such amount be set free for distribution amongst the Shareholders or any class of Shareholders who would be entitled thereto if distributed by way of dividend and in the same proportions, on the footing that the same be not paid in cash but be applied either in or towards paying up amounts for the time being unpaid on any shares in the Company held by such Shareholders respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted, distributed and credited as fully paid amongst such Shareholders, or partly in one way and partly in the other, and the Board shall give effect to such Resolution, provided that for the purpose of this Bye-Law, a share premium account and a capital redemption reserve fund may be applied only in paying up of unissued shares to be issued to such Shareholders credited as fully paid and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.

118. Where any difficulty arises in regard to any distribution under the last preceding Bye-Law, the Board may

settle the same as it thinks expedient and, in particular, may authorize any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments should be made to any Shareholders in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholders.

RECORD DATES

119. Notwithstanding any other provisions of these Bye-Laws, the Company may by Resolution or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and for the purpose of identifying the persons entitled to receive notices of general meetings. Any such record date may be on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made or such notice is dispatched.

ACCOUNTING RECORDS

120. The Board shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions, in accordance with the Companies Acts and the provisions of United States securities laws.

121. The records of account shall be kept at the Registered Office or at such other place or places as the Board thinks fit, and shall at all times be open to inspection by the Directors: PROVIDED that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors to ascertain with reasonable accuracy the financial position of the Company at the end of each three-month period. No Shareholder (other than an officer of the Company) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the Board or by Resolution.

122. A copy of every balance sheet and statement of income and expenditure, including every document required by law to be annexed thereto, which is to be laid before the Company in general meeting, together with a copy of the auditors' report, shall be sent to each person entitled thereto in accordance with the requirements of the Companies Acts.

AUDIT

123. Save and to the extent that an audit is waived in the manner permitted by the Companies Acts, auditors shall be appointed and their duties regulated in accordance with the Companies Acts, any other applicable law and such requirements not inconsistent with the Companies Acts as the Board may from time to time determine.

SERVICE OF NOTICES AND OTHER DOCUMENTS

124. Any notice or other document (including a share certificate) may be served on or delivered to any Shareholder by

the Company either personally or by sending it through the post (by air mail where applicable) in a pre-paid letter addressed to such Shareholder at his address as appearing in the Register or by delivering it to or leaving it at such registered address. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed as sufficient service on or delivery to all the joint holders. Any notice or other document if sent by post shall be deemed to have been served or delivered seven days after it was put in the post, and in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.

125. Any notice of a general meeting of the Company shall be deemed to be duly given to a Shareholder if it is sent to him by cable, telex, telecopier or other mode of representing or reproducing words in a legible and non-transitory form at his address as appearing in the Register or any other address given by him to the Company for this purpose. Any such notice shall be deemed to have been served twenty-four hours after its dispatch.

126. Any notice or other document delivered, sent or given to a Shareholder in any manner permitted by these Bye-Laws shall, notwithstanding that such Shareholder is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Shareholder as sole or joint holder unless his name shall, at the time of the service or

delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed as sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

WINDING UP

127. If the Company shall be wound up, the liquidator may, with the sanction of a Resolution of the Company and any other sanction required by the Companies Acts, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

INDEMNITY

128. (a) Subject to the proviso below, every Director, officer of the Company and member of a committee constituted under Bye-Law 94 shall be indemnified out of the funds of the Company against all civil liabilities, loss, damage or expense

(including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such Director, officer or committee member and the indemnity contained in this Bye-Law shall extend to any person acting as a Director, officer or committee member in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election PROVIDED ALWAYS that the indemnity contained in this Bye-Law shall not extend to any matter which would render it void pursuant to the Companies Acts.

(b) The rights to indemnification, reimbursement or advancement of expenses provided by, or granted pursuant to, this Bye-Law shall not be deemed exclusive of any other rights to which a person seeking indemnification or reimbursement or advancement of expenses may have or hereafter be entitled.

129. Every Director, officer and member of a committee duly constituted under Bye-Law 94 of the Company shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Director, officer or committee member in defending any proceedings, whether civil, criminal or administrative, in which judgment is given in his favor, or in which he is acquitted, or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.

130. To the extent that any Director, officer or member of a committee duly constituted under Bye-Law 94 is entitled to claim

an indemnity pursuant to these Bye-laws in respect of amounts paid or discharged by him, the relative indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge.

ALTERATION OF BYE-LAWS

131. The Directors may from time to time revoke, alter, amend or add to these Bye-laws provided that no such revocation, alteration, amendment or addition with respect to Bye-laws 47(b), 53 and 75 to 81 (inclusive) and shall be operative unless and until it is confirmed at subsequent general meeting of the Company where the amendments have been approved by Shareholders holding not less than 80% of the shares of the Company issued and outstanding and entitled to vote generally; and all other Bye-Law amendments shall be approved by Shareholders holding not less than a majority of the shares issued and outstanding and entitled to vote.

SCHEDULE I

SERIES A PREFERRED SHARES

1. Number and Designation. The Company shall have a class of Series A Preferred Shares with such number of shares authorized as shall be set from time to time by Resolution adopted at a general meeting of the Shareholders and as set forth in the Bye-Laws of the Company.

2. Dividends and Distributions. (a) Subject to sections (2)(b) and (4) below, the Company shall pay, and the holders of the Series A Preferred Shares shall be entitled to receive, and to share equally and ratably, share for share with the Common Shares, in such dividends and distributions on the Common Shares or the Series A Preferred Shares as may be declared from time to time by the Board of Directors, whether payable in cash, property or securities of the Company. The record date for determining the holders of Series A Preferred Shares entitled to receive dividends and distributions shall be the same as the record date for determining the holders of Common Shares entitled to receive dividends and distributions. Dividends and distributions shall be paid to the holders of Series A Preferred Shares entitled to receive such dividends and distributions at the close of business on the date on which such dividends and distributions are paid or made by the Company in respect of the Common Shares.

(b) In the event that the Company declares and pays a dividend or makes any distribution on its Common Shares in the form of (x) additional Common Shares, (y) options, warrants or

rights to acquire Common Shares or (z) other securities of the Company convertible into or exchangeable for Common Shares, the holders of the Series A Preferred Shares shall receive in lieu of such securities: (1) an equal number of shares of additional Series A Preferred Shares, in the case of clause (x) above; (2) options, warrants or rights to acquire an equal number of additional Series A Preferred Shares on terms otherwise identical to such options, warrants or rights distributed to the holders of Common Shares, in the case of clause (y) above; and (3) securities convertible into or exchangeable for an equal number of Series A Preferred Shares on terms otherwise identical to the convertible or exchangeable securities distributed to the holders of Common Shares, in the case of clause (z) above.

(c) All dividends or distributions paid with respect to the Series A Preferred Shares shall be paid pro rata to the holders entitled thereto.

(d) Each fractional Series A Preferred Share outstanding shall be entitled to a ratable proportionate amount of all dividends and other distributions accruing, paid or made with respect to each outstanding Series A Preferred Share and all such dividends and other distributions with respect to such outstanding fractional shares shall be payable in the same manner and at such times as provided for in sections (2)(a), (2)(b) and (4) hereof with respect to dividends and other distributions on each outstanding Series A Preferred Share.

3. Voting Rights. (a) Each issued and outstanding Series A Preferred Share shall be entitled to one vote for each Common

Share into which such Series A Preferred Share is convertible, with respect to any matter presented to the shareholders of the Company for their action or consideration and shall be included in determining the number of shares voting or entitled to vote on any such matter; provided, however, that holders of Series A Preferred Shares shall not vote with respect to the election of directors of the Company. Except as otherwise provided herein or by law, the holders of the Series A Preferred Shares shall vote together with the holders of the Common Shares as a single class.

(b) In addition to the voting rights set forth above, the consent of the holders of at least a majority of the Series A Preferred Shares at the time outstanding voting together as a single class, shall be necessary for any amendment to the Memorandum of Association or Bye-laws of the Company, if such amendment would adversely affect the rights, powers, privileges or preferences of the Series A Preferred Shares.

4. Rights on Liquidation. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Series A Preferred Shares then outstanding shall be entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the Common Shares by reason of their ownership thereof, an amount equal to $.01 per share for each outstanding Series A Preferred Share. If upon the occurrence of such event the assets thus distributed among the holders of Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full preferential amount, the

entire assets of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares. After the payment or distribution to the holders of the Series A Preferred Shares of such preferential amount and the payment (the "Other Liquidating Preference Payment") of the lesser of (i) the liquidation preference or (ii) the par value of any other preferred shares then outstanding (the "Other Preferred Shares"), if any, then the holders of the Series A Preferred Shares, the holders of the Other Preferred Shares and the holders of Common Shares shall be entitled to receive ratably (based, in the case of the Series A Preferred Shares and the Other Preferred Shares, if they are convertible into Common Shares, on the number of Common Shares into which such Series A Preferred Shares and Other Preferred Shares were last convertible) all remaining assets of the Company to be distributed; provided, however, that if any Other Preferred Shares shall have priority liquidation rights vis-a-vis the Common Shares (other than the Other Liquidating Preference Payment), then the Series A Preferred Shares shall, in a liquidating distribution, be treated ratably with the most senior of such Other Preferred Shares.

5. Conversion. (a) Each Series A Preferred Share may be converted, at the option of the holder thereof, at any time (i) after the HSR Clearance Date or
(ii) upon the transfer (in accordance with the provisions of the Shareholders Agreement) of such Series A Preferred Share to a Person other than a Shareholder or any Affiliate thereof, in the manner hereinafter

provided, into one (subject to any adjustment required below) fully paid and nonassessable Common Shares; provided however, that on any liquidation of the Company, the right of conversion shall terminate at the close of business on the business day immediately preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of the Series A Preferred Shares.

(b) Each conversion of Series A Preferred Shares into Common Shares shall be effected by the prior written notice thereof by the holder of the Series A Preferred Shares and the surrender of the certificates representing the shares to be converted at the principal office of the Company (or such other office or agency of the Company as the Company may designate by notice in writing to the holders of the Series A Preferred Shares as shown on the books of the Company) at any time during normal business hours. Such notice shall state the name or names (with addresses) and denominations in which the certificate or certificates for such Common Shares are to be issued and shall include instructions for reasonable delivery thereof. Each conversion shall be deemed to have been effected as of the close of business on the date on which such certificates have been surrendered and such notice has been received. At such time, the rights of the holders of the surrendered Series A Preferred Shares as such holder shall cease, and the Person in whose name the certificates for Common Shares will be issued upon such conversion shall be deemed to have become the holder of record of the Common Shares represented thereby.

(c) Promptly after the surrender of the certificates and the receipt of written notice, the Company shall issue and deliver in accordance with the surrendering holder's instructions (i) the certificates for the Common Shares issuable upon such conversion and (ii) certificates representing any surrendered Series A Preferred Shares which were delivered to the Company in connection with such conversion but which were not requested to be converted and, therefore, were not converted.

(d) The issuance of certificates for Common Shares upon conversion of Series A Preferred Shares shall be made without charge to the holders of such shares for any cost incurred by the Company in connection with such conversion and the related issuance of Common Shares.

(e) The Company shall at all times reserve and keep available out of its authorized but unissued Common Shares, solely for the purpose of issuance upon the conversion of the Series A Preferred Shares, such number of Common Shares issuable upon conversion of all outstanding Series A Preferred Shares. All Common Shares which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges. The Company shall take all such actions as may be necessary to assure that all such Common Shares may be so issued without violation of any applicable law or governmental regulation or any requirement of any domestic securities exchange upon which Common Shares may be listed (except for official notice of issuance which shall be immediately transmitted by the Company upon issuance).

(f) The Company shall not close its books against the transfer of Series A Preferred Shares in any manner which would interfere with the timely conversion of any Series A Preferred Shares. The Company shall assist and cooperate with any holder of Series A Preferred Shares required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of Series A Preferred Shares hereunder (including, without limitation, making any filings required to be made by the Company).

6. Share Splits; Adjustments. (a) If the Company shall in any manner subdivide (by share split, share dividend or otherwise) or combine (by reverse share split or otherwise) the outstanding Common Shares, the outstanding Series A Preferred Shares shall be proportionately subdivided or combined, as the case may be, and effective provision shall be made for the protection of all conversion and voting rights of the Series A Preferred Shares hereunder.

(b) If the Company shall issue any shares of its capital shares in a reclassification of the Common Shares (including any such reclassification in connection with a merger, consolidation or other business combination involving the Company), or in any other similar transaction affecting the Company or the number or value of Common Shares outstanding, effective provision shall be made for the protection of all conversion and voting rights of the Series A Preferred Shares hereunder.

(c) The terms "HSR Clearance Date" and "HSR Act" as used herein shall have the meanings set forth in the Shareholders Agreement.

7. General Provisions. (a) The term "Affiliate" as used herein shall have the meaning set forth in the Shareholders Agreement.

(b) The term "Antitrust Authority" as used herein shall have the meaning set forth in the Shareholders Agreement.

(c) The term "Person" as used herein means an individual or a company, partnership, association, trust or any other entity or organization.

(d) The term "outstanding" when used herein with reference to shares, shall mean issued shares.

(e) The term "Shareholders Agreement" as used herein means that certain Shareholders Agreement to be entered into between Loral Corporation ("Loral") and the Company substantially in the form attached to that certain Distribution Agreement dated as of January 7, 1996 between Loral and the Company.

(f) The term "Shareholders" as used herein shall have the meaning set forth in the Shareholders Agreement.

(g) Subject to Section 3 hereof, any right, preference, privilege or power of, or restriction provided for the benefit of, the Series A Preferred Shares set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the consent of the holders of not less than a majority of the Series A Preferred Shares then outstanding, and

any amendment or waiver so effected shall be binding upon the Company and all holders of Series A Preferred Shares.

SCHEDULE II

SERIES B PREFERRED SHARES

1. Number and Designation. The Company shall have a class of preferred shares denominated "Series B Preferred Shares" with such number of shares authorized as shall be set from time to time by Resolution adopted at a general meeting of the Shareholders of the Company

2. Dividends and Distributions. (a) Subject to the prior and superior rights of the holders of any shares of any series of preferred shares ranking prior and superior to the Series B Preferred Shares with respect to dividends, the holders of Series B Preferred Shares, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fifteenth day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a Series B Preferred Share or a fraction thereof, in an amount per Share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate per Share amount of all cash dividends, and 1,000 times the aggregate per Share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in Common Shares or a subdivision of the outstanding Common Shares (by

reclassification or otherwise), declared on the Common Shares since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any Series B Preferred Share or a fraction thereof. In the event the Company shall at any time (i) declare any dividend on Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of Shares, then in each such case the amount to which holders of Series B Preferred Shares were entitled immediately prior to such event pursuant to the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

(b) The Company shall declare a dividend or distribution on the Series B Preferred Shares as provided in paragraph (a) above immediately after it declares a dividend or distribution on the Common Shares (other than a dividend payable in Common Shares).

(c) Dividends shall begin to accrue and be cumulative on the outstanding Series B Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series B Preferred Shares, unless the date of issue of such Shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such Shares shall begin to accrue from the date of issue of such Shares, or

unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series B Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series B Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such Shares shall be allocated pro rata on a share-by-share basis among all such Shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Series B Preferred Shares entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of Series B Preferred Shares shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each Series B Preferred Share shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the Shareholders of the Company. In the event the Company shall at any time (i) declare any dividend on Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of Shares, then in each such case the number of votes per Share to which holders of the Series

B Preferred Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

(b) Except as otherwise provided herein or by law, the holders of Series B Preferred Shares and the holders of Common Shares shall vote together as one class on all matters submitted to a vote of Shareholders of the Company.

(c) (i) If at any time dividends on any Series B Preferred Shares shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all Series B Preferred Shares then outstanding shall have been declared and paid or set apart for payment. During each default period, holders of the Series B Preferred Shares with dividends in arrears in an amount equal to six quarterly dividends thereon, together with holders of any other shares of the Company upon which similar voting rights have been conferred and are exercisable (collectively, the "Defaulted Shares") voting as a class, irrespective of series, shall have the right to elect two Directors.

(ii) During any default period, such voting right of the holders of Series B Preferred Shares may be exercised initially at a special general meeting called pursuant to subparagraph (iii) of this Section 3(c) or at any Annual General Meeting of Shareholders, and thereafter at Annual General Meetings of Shareholders, provided that neither such voting right nor the right of the holders of any other shares upon which similar voting rights have been conferred, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of 10% in number of the Defaulted Shares outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Shares shall not affect the exercise by the holders of the Defaulted Shares of such voting right. At any meeting at which the holders of the Defaulted Shares shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board as may then exist up to two Directors or, if such right is exercised at an Annual General Meeting, to elect two Directors. If the number which may be so elected at any special general meeting does not amount to the required number, the holders of the Defaulted Shares shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Defaulted Shares shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be

increased or decreased except by vote of the holders of the Defaulted Shares as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series B Preferred Shares.

(iii) Unless the holders of the Defaulted Shares shall, during an existing default period, have previously exercised their right to elect Directors, the Board may order, or any Shareholder or Shareholders owning in the aggregate not less than 10% of the total number of Defaulted Shares outstanding, irrespective of series, may request, the calling of a special meeting of the holders of the Defaulted Shares, which meeting shall thereupon be called by the Chairman of the Board of the Company. Notice of such meeting and of any Annual General Meeting at which holders of the Defaulted Shares are entitled to vote pursuant to this paragraph (c)(iii) shall be given to each holder of record of Defaulted Shares by mailing a copy of such notice to him at his last address as the same appears on the books of the Company. Such meeting shall be called for a time not earlier than 30 days and not later than 40 days after such order or request or in default of the calling of such meeting within 40 days after such order or request, such meeting may be called on similar notice by any Shareholder or Shareholders owning in the aggregate not less than 10% of the total number of Defaulted Shares outstanding and at least 50% of the total voting rights held by all such Shareholders. Notwithstanding the provisions of this paragraph (c)(iii), no such special general meeting shall be called during the period within 60 days

immediately preceding the date fixed for the next Annual General Meeting of the Shareholders.

(iv) In any default period, the holders of Common Shares, and other classes of shares of the Company if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of the Defaulted Shares shall have exercised their right to elect two Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Defaulted Shares shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph
(c)(ii) of this section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of shares which elected the Director whose office shall have become vacant. References in this paragraph (c) to Directors elected by the holders of a particular class of shares shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Defaulted Shares as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Defaulted Shares as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Bye-laws irrespective of any increase made pursuant to the provisions of paragraph (c)(ii) of this section 3 (such number being subject, however, to change

thereafter in any manner provided by law or in the Bye-laws). Any vacancies in the Board of Directors affected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(d) Except as set forth herein, holders of Series B Preferred Shares shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Shares as set forth herein) for taking any corporate action

4. Certain Restrictions. (a) Whenever quarterly dividends or other dividends or distributions payable on the Series B Preferred Shares as provided in section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on the Series B Preferred Shares outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Shares;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Shares, except dividends paid ratably on the Series B Preferred Shares and all such parity shares on which dividends are payable or in arrears in proportion to the

total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Shares, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity shares in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Shares;

(iv) purchase or otherwise acquire for consideration any Series B Preferred Shares, or any shares of stock ranking on a parity with the Series B Preferred Shares, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of the Company unless the Company could, under paragraph (a) of this section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any Series B Preferred Share purchased or otherwise acquired by the Company in any manner

whatsoever shall be retired and cancelled promptly after the acquisition thereof.

6. Liquidation, Dissolution or Winding-up. (a) Upon any liquidation (voluntary or otherwise), dissolution or winding-up of the Company, no distribution shall be made to the holders of shares ranking junior (either as to dividends or upon liquidation, dissolution or winding-up) to the Series B Preferred Shares unless, prior thereto, the holders of Series B Preferred Shares shall have received $1.00 per Share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment. Thereafter, the holders of Series B Preferred Shares shall be entitled to receive an aggregate amount per Share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per Share to holders of Common Shares. Following the payment of the foregoing, holders of Series B Preferred Shares and holders of Common Shares shall receive their ratable and proportionate share of the remaining assets to be distributed.

(b) In the event however, that there are not sufficient assets available to permit payment in full of the Series B Preferred Shares liquidation preference and the liquidation preferences of all other series of preferred shares, if any, which rank on a parity with the Series B Preferred Shares, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences.

(c) In the event the Company shall at any time (i) declare any dividend on Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares (by reclassification or otherwise), or (iii) combine the outstanding Common Shares into a smaller number of Shares, then in each such case the aggregate amount to which holders of Series B Preferred Shares were entitled immediately prior to such event shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the Common Shares are exchanged for or changed into other shares or securities, cash and/or any other property, then in any such case the Series B Preferred Shares shall at the same time be similarly exchanged or changed in an amount per Share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of shares, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each Common Share is changed or exchanged. In the event the Company shall at any time (i) declare any dividend on Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares (by reclassification or otherwise), or (iii) combine the outstanding Common Shares into a smaller number of Shares, then in each such case the amount set forth in the preceding sentence with respect

to the exchange or change of Series B Preferred Shares shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of Common Shares outstanding immediately after such event and the denominator of which is the number of Common Shares that were outstanding immediately prior to such event.

8. No Redemption. The Series B Preferred Shares shall not be redeemable.

9. Ranking. The Series B Preferred Shares shall rank junior to all other series of the Company's preferred shares as to payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

10. Amendment. The Bye-Laws of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series B Preferred Shares so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding Series B Preferred Shares voting separately as a class.

11. Fractional Shares. Series B Preferred Shares may be issued in fractions of a Share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series B Preferred Shares.

Exhibit 10.1

TAX SHARING AGREEMENT

TAX SHARING AGREEMENT ("the Agreement") dated as of January 7, 1996 by and among Wings Corporation, a New York corporation (the "Company"), Spinco Corporation, a Delaware corporation and a wholly-owned subsidiary of the Company ("Spinco"), Rotors Corporation, a Maryland corporation ("Parent") and LAC Acquisition Corporation, a New York corporation and a wholly-owned subsidiary of Parent (the "Purchaser").

WHEREAS, in connection with the restructuring of the Company pursuant to the Restructuring, Financing and Distribution Agreement, dated as of April 15, 1996 (the "Distribution Agreement"), the Company, Spinco and certain other parties have agreed to the assignment and transfer by the Company to Spinco of the Spinco Assets, including, without limitation, the Spinco Subsidiaries, in the manner set forth in the Distribution Agreement (the "Transfer"), in exchange for Spinco Common Stock and the assumption of certain liabilities of the Company by Spinco;

WHEREAS, the Company will retain its stock in all of its subsidiaries other than the Spinco Subsidiaries (the "Retained Subsidiaries");

WHEREAS, in accordance with the terms of the Agreement and Plan of Merger dated as of January 7, 1996 (the "Merger Agreement"), the Purchaser will commence and consummate the Offer and the Company will complete the Transfer;

WHEREAS, pursuant to the Merger Agreement, and in accordance with New York law, the Purchaser will merge with and into the Company after certain conditions are satisfied at the Effective Time (the "Merger"), whereby each share of common stock of the Company issued and outstanding immediately prior to the Effective Time will be converted into the right to receive cash and, as a result of such Merger, the Company, as the surviving corporation, will become wholly-owned by Parent;

WHEREAS, immediately after the consummation of the Offer and the Form 10 having been declared effective by the SEC, the Company will distribute the shares of Spinco to the Company shareholders;

WHEREAS, at the end of the day on which Parent acquires stock of the Company satisfying the requirements of Section 1504(a)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), the consolidated group of which the Company is the common parent will terminate and the members of the Company Group will become members of the Parent Group;

WHEREAS, the parties hereto wish to provide for the payment of tax liabilities and entitlement to refunds, allocate responsibility and provide for cooperation in the filing of tax returns, provide for the realization and payment of tax benefits arising out of adjustments to the tax returns of the parties and provide for certain other matters;

NOW, THEREFORE, in consideration of the premises and the representations, covenants and agreements herein contained, and intending to be legally bound hereby, the Company, Spinco, Parent, and the Purchaser hereby agree as follows:

1. Certain Definitions.

(a) The following terms used herein shall have the meanings set forth below (such terms to be equally applicable to the singular and plural forms of the terms defined or referred to below):

"Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Code" shall have the meaning set forth in the recitals to this Agreement.

"Company" shall have the meaning set forth in the recitals to this Agreement.

"Company Group" means the Retained Subsidiaries, together with the Company.

"Consolidated Group" or "consolidated group" means a consolidated group within the definition of Treasury Regulation Section 1.1502-1(h).

"Distribution" shall have the meaning set forth in the Distribution Agreement.

"Distribution Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Effective Time" shall have the meaning set forth in the Merger Agreement.

"Form 10" shall have the meaning set forth in the Distribution Agreement.

"Group Termination Date" means the end of the day on which Parent acquires stock of the Company satisfying the requirements of Section 1504(a)(2) of the Code.

"Income Taxes" means any and all taxes based upon or measured by net income (including, without limitation, alternative minimum tax under Section 55 of the Code) imposed by or payable to the U.S., or any state, county, local or foreign government or any subdivision or agency thereof (including any U.S. possession), and such term shall include any interest (whether paid or received), penalties or additions to tax attributable thereto.

"Income Tax Liabilities" means all liabilities for Income Taxes.

"Indemnified Party" means the party that is entitled to indemnification by another party pursuant to this Agreement.

"Indemnifying Party" means the party that is required to indemnify another party pursuant to this Agreement.

"Independent Accounting Firm" means a "big six" independent accounting firm, jointly selected by the parties; or, if the parties cannot agree on such accounting firm, Spinco and Parent shall each submit the name of a "big six" independent accounting firm that does not at the time and has not in the prior two years provided services to any member of the Spinco Group or the Parent Group, and the firm shall be selected by lot from these two firms.

"Independent Law Firm" means a nationally-recognized independent law firm, jointly selected by the parties; or, if the parties cannot agree on such law firm, Spinco and Parent shall each submit the name of a nationally-

recognized independent law firm that does not at the time and has not in the prior two years provided services to any member of the Spinco Group or the Parent Group, and the firm shall be selected by lot from these two firms.

"Information Return" means any report, return, declaration or other information or filing (other than a Tax Return) required to be supplied to any taxing authority or jurisdiction.

"Merger" shall have the meaning set forth in the recitals to this Agreement.

"Merger Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Offer" shall have the meaning set forth in the Merger Agreement.

"Old Company Group" means the Company Group, together with the Spinco Group, prior to and including the Group Termination Date.

"Other Taxes" means any and all taxes, levies or other like assessments, charges or fees, other than Income Taxes, including, without limitation, any excise, real or personal property, gains, sales, use, license, real estate or personal property transfer, net worth, stock transfer, payroll, ad valorem and other governmental taxes and any withholding obligation imposed by or payable to the U.S., or any state, county, local or foreign government or subdivision or agency thereof, and any interest (whether paid or received).

"Parent" shall have the meaning set forth in the recitals to this Agreement.

"Parent Group" means the Company Group, together with Parent and all other Subsidiaries of Parent, immediately following the Group Termination Date.

"Post-Group-Termination Period" means any taxable period beginning after the Group Termination Date and any portion of a Straddle Period beginning after the Group Termination Date.

"Pre-Group-Termination Period" means any taxable period ending on or before the Group Termination Date and any portion of a Straddle Period prior to and including the Group Termination Date.

"Proceeding" means any audit or other examination, judicial or administrative proceeding or determination relating to liability for or refunds or adjustments with respect to Other Taxes or Income Taxes.

"Purchaser" shall have the meaning set forth in the recitals to this Agreement.

"Refund" means any refund of Income Taxes and Other Taxes.

"Retained Subsidiaries" shall have the meaning set forth in the recitals to this Agreement.

"SEC" means the Securities and Exchange Commission.

"Spinco" shall have the meaning set forth in the recitals to this Agreement.

"Spinco Assets" shall have the meaning set forth in the Distribution Agreement.

"Spinco Common Stock" shall have the meaning set forth in the Distribution Agreement.

"Spinco Group" means the Spinco Subsidiaries, together with Spinco and any direct or indirect subsidiaries of Spinco or the Spinco Subsidiaries.

"Spinco Subsidiaries" shall have the meaning set forth in the Distribution Agreement.

"Straddle Period" means any taxable period that includes but does not end on the Group Termination Date.

"Subsidiary" or "subsidiary" shall have the meaning set forth in the Distribution Agreement.

"Tax Benefit" means, in the case of separate state, local or other Income Tax Returns, the sum of the amount by which the tax liability (after giving effect to any alternative minimum or similar tax) of a corporation to

the appropriate taxing authority is reduced (including, without limitation, by deduction, entitlement to refund, credit or otherwise, whether available in the current taxable year, as an adjustment to taxable income in any other taxable year or as a carryforward or carryback, as applicable) plus any interest from such government or jurisdiction relating to such tax liability, and in the case of a consolidated federal Income Tax Return or similar state, local or other Income Tax Return, the sum of the amount by which the tax liability of the affiliated group (within the meaning of Section 1504(a) of the Code) or other relevant group of corporations to the appropriate government or jurisdiction is reduced (including, without limitation, by deduction, entitlement to refund, credit or otherwise, whether available in the current taxable year, as an adjustment to taxable income in any other taxable year or as a carryforward or carryback, as applicable) plus any interest from such government or jurisdiction relating to such tax liability.

"Tax Return" means any report, return, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction with respect to the liability of any member of the Old Company Group, the Company Group, the Spinco Group or the Parent Group for Income Taxes or Other Taxes, including, without limitation, any documents with respect to or accompanying payments of estimated Income Taxes or Other Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, declaration or other document.

"Transfer" shall have the meaning set forth in the recitals to this Agreement.

"U.S." means the United States of America.

"Underpayment Rate" means the rate specified under Section 6621(a)(2) of the Code for underpayments of tax.

2. Cooperation.

(a) Parent and Spinco shall, and shall cause the members of the Parent Group and the Spinco Group, respectively, to, provide the requesting party with such assistance and documents, without charge, as

may be reasonably requested by such party in connection with the preparation of any Tax Return or any Information Return; the conduct of any Proceeding; any matter relating to Income Taxes, Other Taxes or Information Returns of any member of the Old Company Group, the Company Group, the Spinco Group or the Parent Group; and any other matter that is a subject of this Agreement. Such cooperation and assistance shall be provided to the requesting party promptly upon its request. Parent and the Company, on the one hand, and Spinco, on the other hand, shall retain or cause to be retained all Tax Returns, Information Returns, schedules and workpapers, and all material records or other documents relating thereto, until the expiration of the statute of limitations (including any waivers or extensions thereof) of the taxable years to which such Tax Returns, Information Returns, and other documents relate or until the expiration of any additional period that any party reasonably requests, in writing, with respect to specific material records or documents. A party intending to destroy any material records or documents shall provide the other party with advance notice and the opportunity to copy or take possession of such records and documents. The parties hereto will notify each other in writing of any waivers or extensions of the applicable statute of limitations that may affect the period for which the foregoing records or other documents must be retained.

3. Timing of Group Termination Date; Certain State and Local Matters. The parties hereby agree that, for federal income tax purposes (and, to the extent permissible under applicable law, for state, local and other tax purposes), the consolidated group of which the Company is the common parent prior to the Group Termination Date shall terminate on the Group Termination Date, in accordance with the rule of Treasury Regulation Section 1.1502-76(b)(1). To the extent permissible under applicable law, all taxable income attributable to the Transfer and the Distribution shall be reported on the Tax Returns of the Old Company Group for the period that ends on the Group Termination Date.

4. Filing of Income Tax Returns; Payment of Income Taxes.

(a) Pre-Group-Termination Periods. To the extent not filed before the Group Termination Date,

Spinco shall, on behalf of the Old Company Group, prepare and file or cause to be prepared and filed all Tax Returns with respect to Income Taxes for the Old Company Group (or any member thereof) for all taxable periods ending on or before the Group Termination Date. To the extent permissible under applicable law, all such Tax Returns shall be prepared and filed consistently with past practice. Spinco shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Old Company Group on such Tax Returns.

(b) Post-Group-Termination Periods. Parent shall prepare and file or shall cause to be prepared and filed Tax Returns with respect to Income Taxes for the Company Group for taxable periods beginning after the Group Termination Date and shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Parent Group on such Tax Returns. Spinco shall prepare and file or cause to be prepared and filed Tax Returns with respect to Income Taxes for the Spinco Group for taxable periods beginning after the Group Termination Date and shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Spinco Group on such Tax Returns.

(c) Straddle Periods. Parent shall prepare and file or cause to be prepared and filed all Tax Returns with respect to Income Taxes for the Company Group (or any member thereof) for any Straddle Period and shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Company Group on such Tax Returns. Spinco shall prepare and file or cause to be prepared and filed all Tax Returns with respect to Income Taxes for the Spinco Group (or any member thereof) for any Straddle Period and shall pay or cause to be paid all Income Taxes shown to be due and payable for any member of the Spinco Group on such Tax Returns.

5. Filing of Other Tax Returns; Payment of Other Taxes. To the extent not filed before the Group Termination Date, Spinco shall prepare and file or cause to be prepared and filed all Tax Returns with respect to Other Taxes of the Old Company Group attributable to any Pre-Group-Termination Period, and all Tax Returns with respect to Other Taxes of the Spinco Group attributable to any taxable period, and shall pay all Other Taxes shown to be due and payable by any member of the Old

Company Group or the Spinco Group on such Tax Returns. Parent shall prepare and file or cause to be prepared and filed all Tax Returns with respect to Other Taxes of the Company Group attributable to any Post-Group-Termination Period and shall pay all Other Taxes shown to be due and payable by any member of the Company Group on such Tax Returns.

6. Filing of Information Returns. Spinco shall file all Information Returns required to be filed by any member of the Old Company Group on or before the Group Termination Date and by any member of the Spinco Group after the Group Termination Date, as well as any Information Returns required to be filed by the Old Company Group (or any member thereof) with respect to the information of the Spinco Group or the Merger. Except as otherwise provided in the preceding sentence, Parent shall file all Information Returns required to be filed by any member of the Company Group after the Group Termination Date. Any party required to file any Information Return pursuant to this Section 6 shall pay any fees or charges required in connection with such filing and shall indemnify and hold the other party harmless against any penalties, fees or other charges resulting from the failure to pay such fees or charges or the failure to file such Information Returns in a correct or timely fashion, unless such failure results from the failure of the other party to provide correct information on a timely basis.

7. Indemnification for Taxes.

(a) Income Taxes. The Spinco Group shall pay, and shall indemnify and hold the Parent Group harmless against, (i) all Income Tax Liabilities of any member of the Old Company Group for Pre-Group-Termination Periods; (ii) all Income Tax Liabilities incurred, pursuant to Treasury Regulation Section 1.1502-6 or similar provisions, as a result of any member of the Old Company Group having been a member of a group (other than the Parent Group) filing a consolidated federal (or other combined) income tax return; (iii) all Income Tax Liabilities of any member of the Old Company Group or the Parent Group arising from the Transfer and the Distribution, regardless of when recognized; and (iv) all Income Tax Liabilities of any member of the Spinco Group. Except as otherwise provided in the preceding sentence, the Parent

Group shall pay, and shall indemnify and hold the Spinco Group harmless against, all Income Tax Liabilities of (i) Parent and its subsidiaries (other than the members of the Company Group) for all taxable periods and (ii) the Company Group (or any member thereof) for Post-Group-Termination Periods. For purposes of this Agreement, Income Tax Liabilities for the Pre-Group-Termination Period portion of any Straddle Period shall be the amount of Income Taxes that would have been imposed on or with respect to the relevant group (or member(s) thereof) in the relevant jurisdiction if the taxable year had ended on and included the Group Termination Date, and Income Tax Liabilities for the Post-Group-Termination portion of any Straddle Period shall be the amount of Income Taxes that would have been imposed on or with respect to the relevant group (or member(s) therof) in the relevant jurisdiction if the taxable year had begun after the Group Termination Date.

(b) Other Taxes. Except as provided in Section 7(a), the Parent Group shall pay, and shall indemnify and hold the Spinco Group harmless against, all liabilities for all Other Taxes attributable to the income, property or activities of any member of the Company Group for all Post-Group-Termination Periods. The Spinco Group shall pay, and shall indemnify and hold the Parent Group harmless against (i) all liabilities for all Other Taxes attributable to the income, property or activities of any member of the Spinco Group for all taxable periods; (ii) all liabilities for all Other Taxes attributable to the income, property or activities of any member of the Old Company Group for any Pre-Group-Termination Period; and (iii) all Other Taxes, if any, arising from the Transfer or the Distribution. For purposes of this Section 7(b), the determination of the amount of Other Taxes for Straddle Periods shall be made, in the case of Other Taxes other than property, ad valorem, and similar Other Taxes, based on the amount of Other Taxes that would be due if the Pre-Group-Termination Period portion of the relevant Straddle Period had ended on and included the Group Termination Date and that Post-Group-Termination Period portion of the Straddle Period had begun after the Group Termination Date; and, in the case of property, ad valorem, and similar Other Taxes, by prorating (on a daily basis) the amount of Other Taxes due for the entire period in accordance with Section 164(d) of the Code.

(c) To the extent that the Indemnifying Party is required to indemnify another party pursuant to this Section 7, the Indemnifying Party shall pay to the Indemnified Party, no later than 10 days prior to the due date of the relevant Tax Return or estimated Tax Return or 10 days after the Indemnifying Party receives the Indemnified Party's calculations, whichever occurs later, the amount that the Indemnifying Party is required to pay the Indemnified Party under this Section 7. The Indemnified Party shall submit its calculations of the amount required to be paid pursuant to this Section 7, showing such calculations in sufficient detail so as to permit the Indemnifying Party to understand the calculations. If the Indemnifying Party disagrees with such calculations, it must notify the Indemnified Party of its disagreement in writing within 15 days of receiving such calculations. Any dispute regarding such calculations shall be resolved in accordance with Section 10 of this Agreement.

8. Carryovers. In the event of the realization of any loss or credit for tax purposes by a party for any taxable period beginning on or after the Group Termination Date, the party realizing such loss or credit may, in its sole discretion, to the extent permitted under applicable tax law, elect not to carry back such loss or credit.

9. Refunds of Income Taxes or Other Taxes. The Spinco Group shall be entitled to all Refunds attributable to the Spinco Group, and the Parent Group shall be entitled to all Refunds attributable to the Parent Group. The Spinco Group shall be entitled to all Refunds attributable to the Old Company Group or any member thereof for any Pre-Group-Termination Period. Notwithstanding the foregoing, the Parent Group shall be entitled to Refunds attributable to the Old Company Group that result from the carryback of a tax attribute by the Company Group from a Post-Group-Termination Period, and the Spinco Group shall be entitled to Refunds attributable to the Old Company Group that result from the carryback of a tax attribute by the Spinco Group from a Post-Closing Tax Period. Refunds for any Straddle Period shall be equitably apportioned between the Parent Group and the Spinco Group in accordance with the provisions of this Agreement governing such periods. A party receiving a Refund to which another party is entitled pursuant to

this Agreement shall pay the amount to which such other party is entitled within five days after the receipt of the refund.

10. Disputes. If the parties disagree as to the amount of any payment to be made under, or any other matter arising out of, this Agreement, the parties shall attempt in good faith to resolve such dispute, and any agreed-upon amount shall be paid to the appropriate party. If such dispute is not resolved within 15 days thereafter, the parties shall jointly retain the Independent Accounting Firm to resolve the dispute. If and to the extent that the dispute presents legal issues, the Independent Accounting Firm shall have the authority to consult the Independent Law Firm. The fees of the Independent Accounting Firm and the Independent Law Firm shall be borne equally by the Spinco Group and the Parent Group, and the decision of such Independent Accounting Firm and Independent Law Firm shall be final and binding on all parties. Following the decision of the Independent Accounting Firm and/or the Independent Law Firm, the parties shall each take or cause to be taken any action that is necessary or appropriate to implement such decision of the Independent Accounting Firm and the Independent Law Firm, including, without limitation, the prompt payment of underpayments or overpayments, with interest calculated on such overpayments and underpayments at the Underpayment Rate from the date such payment was due through the date such underpayment or overpayment is paid or refunded.

11. Control of Proceedings. In the case of any Proceeding with respect to Income Taxes or Other Taxes of the Parent Group or the Old Company Group for any taxable period for which Spinco is or may be liable for such Income Taxes or Other Taxes pursuant to this Agreement, Parent or Spinco, as the case may be, shall promptly inform the other party, and Parent shall execute or cause to be executed any powers of attorney or other documents necessary to enable Spinco to take all actions desired by Spinco with respect to such Proceeding to the extent such Proceeding may affect the amount of Income Taxes or Other Taxes for which Spinco is liable pursuant to this Agreement; Spinco shall have the right to control any such Proceeding, and, if there is a reasonable basis therefor, to initiate any claim for refund, file any amended return or take any other action that it deems

appropriate with respect to such taxable years, provided, however, that Spinco shall consult with Parent, and Parent shall have the right to participate at its own expense, with respect to any Proceeding that may affect the Parent Group and Spinco shall not take any such action that may affect the Parent Group without the consent of Parent, which consent may not be unreasonably withheld. Any Proceeding with respect to Income Taxes or Other Taxes of the Company Group or the Old Company Group for a Straddle Period shall be controlled jointly by Parent and Spinco unless the issue relates solely to a Pre-Group-Termination Period or a Post-Group-Termination Period, in which case such proceeding shall be controlled by Parent or Spinco, as the case may be, in accordance with the principles of the first sentence of this section 11. Notwithstanding the foregoing provisions, Spinco shall not have the right to control any Proceeding, to initiate any claim for refund, to file any amended return or to take any other action if such Proceeding, claim for refund, amended return or other action would be likely to increase the amount of Income Taxes or other Taxes payable by any member of the Parent Group for a taxable period other than a Pre-Group-Termination Period.

12. Timing Adjustment.

(a) If an audit or other examination of any Income Tax Return of the Parent Group or a Proceeding for any period shall result (by settlement or otherwise) in any adjustment that (A) decreases deductions, losses or tax credits or increases income, gains or recapture of tax credits for such period and (B) will permit the Spinco Group to increase deductions, losses or tax credits or decrease income, gains or recapture of tax credits that would otherwise (but for such adjustment) have been taken or reported with respect to the Spinco Group for one or more taxable periods, Parent shall notify Spinco (Parent and Spinco, for purposes of this Section 12(a), shall be deemed to include, where appropriate, the affiliated, unitary, combined or other group of which such party is a member) and provide it with adequate information so that it can reflect on the Income Tax Returns of the Spinco Group such increases in deductions, losses or tax credits or decreases in income, gains, or recapture of tax credits. With respect to such increases or decreases on Income Tax Returns, Spinco shall, and shall cause the Spinco Group to, pay to Parent the amounts of

any Tax Benefits that result therefrom, within ten days of the date on which such Tax Benefits are realized.

(b) If an audit or other examination of any Income Tax Return of the Old Company Group or a Proceeding for any period for which Spinco is responsible shall result (by settlement or otherwise) in any adjustment that (A) decreases deductions, losses or tax credits or increases income, gains or recapture of tax credits for such period, and (B) will permit the Spinco Group to increase deductions, losses or tax credits or decrease income, gains or recapture of tax credits that would otherwise (but for such adjustment) have been taken or reported with respect to the Spinco Group for one or more taxable periods, Spinco will notify Parent (Spinco and Parent, for purposes of this Section 12(b), shall be deemed to include, where appropriate, the affiliated, unitary, combined or other group of which such party is a member) and provide it with adequate information so that it can reflect on the Income Tax Returns of the Parent Group such increases in deductions, losses or tax credits or decreases in income, gains, or recapture of tax credits. With respect to such increases or decreases on Income Tax Returns, Parent shall, and shall cause the Parent Group to, pay to Spinco the amounts of any Tax Benefits that result therefrom, within ten days of the date such Tax Benefits are realized.

(c) No later than 30 days after the date on which Spinco or Parent, as the case may be, receives notice pursuant to section 12(a) or (b) that a Tax Benefit may be available to the Spinco Group or Parent Group, respectively, Spinco or Parent, as the case may be, shall, and shall cause such members of the Parent Group or the Spinco Group or, in the case of Spinco, such members of the Old Company Group, as the case may be, to, as promptly as practicable, take such steps (including, without limitation, the filing of amended returns or claims for refunds where the amount of the Tax Benefit for any company in the aggregate exceeds [$25,000]) necessary or appropriate to obtain such Tax Benefit. Thereafter, Spinco or Parent, as the case may be, shall, and shall cause the Parent Group or the Spinco Group or, in the case of Spinco, the Old Company group, as the case may be, to, file all Income Tax Returns to obtain at the earliest possible time such Tax Benefit to the maximum extent available. Notwithstanding anything to the con-

trary in this Section 12, either party may, at its election, pay the amount of any Tax Benefit to the other party rather than filing amended returns or otherwise reflecting adjustments or taking positions on its Tax Returns. If such an election is made by a party, the party will be treated as having realized a Tax Benefit at the time such Tax Benefit would have been realized if such party had chosen to file amended returns or otherwise to reflect adjustments or to take positions on its Tax Returns; provided, however, that such party shall pay to the other party, no later than 20 days after such party receives notice from the other party that a Tax Benefit may be available, the amount of Tax Benefit that such party would have obtained if such party had filed an amended Tax Return. Notwithstanding the foregoing, a party shall not be required to take steps to obtain a Tax Benefit or to pay the other party, if, in the opinion of such party's counsel, which counsel shall be reasonably acceptable to the other party, there is not substantial authority to seek such Tax Benefit.

(d) For purposes of this Agreement, a Tax Benefit shall be deemed to have been realized at the time any refund of Taxes is received or applied against other Taxes due, or at the time of filing of an Income Tax Return (including any relating to estimated Taxes) on which a loss, deduction or credit is applied in reduction of Taxes which would otherwise be payable; provided, however, that, where a party has other losses, deductions, credits or similar items available to it, deductions, credits or items for which the other party would be entitled to a payment under this Agreement shall be treated as the last items utilized to produce a Tax Benefit. In accordance with the provisions of this subsection (d), Spinco and Parent agree that where a Tax Benefit may be realized that may result in a payment to, or reduce a payment by, the other party hereto, each party will as promptly as practicable take or cause its affiliate to take such reasonable or appropriate steps (including, without limitation, the filing of an amended return or claim for refund) to obtain at the earliest possible time any such reasonably available Tax Benefit. In the event that after payment of a Tax Benefit under this subsection (d), such Tax Benefit is reduced or eliminated because of a final decree or agreement of a taxing authority or the carryback of losses or credits, then the party to whom the Tax Benefit was paid shall pay

to the other party the amount by which the Tax Benefit was reduced or eliminated plus interest on the amount returned at the Underpayment Rate from the date of payment to the date of repayment.

13. Payments.

(a) Any payment required by this Agreement that is not made on or before the date provided hereunder shall bear interest after such date at the Underpayment Rate. In the case of any payment required hereunder to be made "promptly," such payment shall be considered late for purposes of this Agreement if not made 20 days after notice that such payment is due is provided. All payments made pursuant to this Agreement shall be made in immediately available funds.

(b) All payments made pursuant to this Agreement shall be treated as adjustments to the purchase price paid by Parent, and the parties shall not file any Tax Returns or Information Returns inconsistent with this position.

14. Termination of Prior Tax Sharing Agreements. This Agreement shall take effect on the Group Termination Date and shall replace all other agreements, whether or not written, in respect of any Income Taxes or Other Taxes between or among any members of the Old Company Group, or their respective predecessors or successors, other than any such agreements made exclusively between or among any members of the Spinco Group. All such replaced agreements shall be cancelled as of the Group Termination Date, and any rights or obligations existing thereunder thereby shall be fully and finally settled without any payment by any party thereto.

15. Notices. All notices, requests, demands and other communications required or permitted under this Agreement will be made in the manner provided in Section 11.5 of the Distribution Agreement.

16. Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof and supersedes all prior agreements, whether or not written, concerning such subject matter. This Agreement may not be amended except by an agreement in writing, signed by the parties.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law.

18. Counterparts. This Agreement may be exe- cuted in one or more counterparts, each of which shall be an original and all of which shall constitute together the same document.

19. Effective Date. This Agreement shall become effective only upon the occurrence of the Group Termination Date and shall terminate and be null and void and of no force and effect upon any termination of the Merger Agreement.

20. Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, provided, however, that no party may assign any of its rights, benefits or obligations hereunder without first obtaining consent of the other party.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LORAL CORPORATION

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President and General Counsel

LORAL SPACE & COMMUNICATIONS

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President and General Counsel

LOCKHEED MARTIN CORPORATION

By: /s/ Frank H. Menaker, Jr.

Name: Frank H. Menaker, Jr.
Title: Vice President and General Counsel

LAC ACQUISITION CORPORATION

By: /s/ Stephen M. Piper

Name: Stephen M. Piper
Title: Assistant Secretary

Exhibit 10.2

EXECUTION COPY

SHAREHOLDERS AGREEMENT

dated as of April 23, 1996

by and among

LORAL CORPORATION,

and

LORAL SPACE & COMMUNICATIONS LTD.

SHAREHOLDERS AGREEMENT

SHAREHOLDERS AGREEMENT, dated as of April 23, 1996 (the "AGREEMENT"), by and among Loral Corporation, a New York corporation ("LORAL"), and Loral Space & Communications Ltd., a Bermuda company (the "COMPANY"). Loral and those of its Affiliates who are transferees with respect to any of the Equity Securities (as defined below), are sometimes collectively referred to herein as the "SHAREHOLDERS".

RECITALS:

WHEREAS, Lockheed Martin Corporation, a Maryland corporation ("LMC"), Loral and certain subsidiaries of Loral entered into a Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996 (the "RESTRUCTURING AGREEMENT"; all capitalized terms used in this Agreement but not otherwise defined herein, shall have the respective meanings assigned to such terms in the Restructuring Agreement), pursuant to which, after giving effect to the Restructuring and the Distribution, Loral acquired 45,896,978 shares of Series A Convertible Preferred Stock, par value $0.01 per share, of the Company (the "PREFERRED STOCK"); and

WHEREAS, the Company and Loral desire to establish in this Agreement certain conditions with respect to the relationship between the Shareholders and the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and in the Restructuring Agreement, the parties hereto agree as follows:

I.

STANDSTILL AND VOTING PROVISIONS

1.1. Restrictions on Certain Actions by the Shareholders. (a) During the Term (as defined in Article V below), each Stockholder will not, and will cause each of its Affiliates (such term, as used in this Agreement, as defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act) not to, singly or as part of a partnership, limited partnership, syndicate or other group (as those terms are used in Section 13(d)(3) of the Exchange Act), directly or indirectly:

(i) acquire, offer to acquire, or agree to acquire, by purchase, gift or otherwise, any Equity Securities (as defined below in Section 1.1(c)), except pursuant to a stock split, stock dividend, rights offering, recapitalization, reclassification, merger, consolidation, corporate reorganization or similar transaction; provided that at any time in which the Shareholders hold, in the aggregate, less than twenty percent (20%) of the Total Voting Power, then the Shareholders may acquire Equity Securities so that the Shareholders hold, in the aggregate, up to twenty percent (20%) of the Total Voting Power;

(ii) make, or in any way actively participate in, any "solicitation" of "proxies" to vote (as such terms are defined in Rule 14a-1 under the Exchange Act), solicit any consent or communicate with or seek to advise or influence any third party with respect to the voting of any Equity Securities or become a "participant" in any "election contest" (as such terms are defined or used in Rule 14a-11 under the Exchange Act), in each case with respect to the Company, except as expressly provided in Section 1.7;

(iii) form, join or encourage the formation of, any "person" or "group" within the meaning of Section 13(d) of the Exchange Act with respect to any Equity Securities; provided that this Section 1.1(a)(iii) shall not prohibit any such arrangement solely among the Shareholders and any of their respective Affiliates;

(iv) deposit any Equity Securities into a voting trust or subject any such Equity Securities to any arrangement or agreement with respect to the voting thereof; provided that this Section 1.1(a)(iv) shall not prohibit any such arrangement solely among the Shareholders and any of their respective Affiliates;

(v) initiate, propose or otherwise solicit Shareholders for the approval of one or more stockholder proposals with respect to the Company as described in Rule 14a-8 under the Exchange Act, or induce or attempt to induce

any other third party to initiate any stockholder proposal, except as expressly provided in Section 1.7;

(vi) except as otherwise contemplated or permitted by this Agreement (including, without limitation, pursuant to Section 1.2 or 1.7 hereof), seek to place a representative on the Board of Directors of the Company or seek the removal of any member of the Board of Directors of the Company, except with the approval of the Board of Directors or management of the Company;

(vii) except with the approval of the Board of Directors or management of the Company, call or seek to have called any meeting of the Shareholders of the Company;

(viii) except through its representatives on the Board of Directors (or any committee thereof) of the Company (if any) and except as otherwise contemplated by this Agreement or the Restructuring Agreement (including the agreements and other documents referred to therein, including, without limitation, the Tax Sharing Agreement), otherwise act to seek to control the management or policies of the Company, except with the approval of the Board of Directors or management of the Company;

(ix) sell or otherwise transfer in any manner any Equity Securities to any "person" (within the meaning of Section 13(d)(3) of the Exchange Act) who, immediately following such sale or transfer, would, to the best of the Stockholder's knowledge, own more than four percent (4%) of any class of Equity Securities or who, without the approval of the Board of Directors of the Company, (A) has publicly proposed a business combination or similar transaction with, or a change of control of, the Company or who has publicly proposed a tender offer for Equity Securities or (B) who has discussed with Loral or any of its respective Affiliates the possibility of proposing a business combination or similar transaction with, or a change in control of, the Company;

(x) sell or otherwise transfer in any manner to any person (as defined in clause (ix) above) in any single transaction or series of related transactions more than 2% of the outstanding Equity Securities;

(xi) solicit, seek to effect, negotiate with or provide any information to any other party with respect to, or make any statement or proposal, whether written or oral, to the Board of Directors of the Company or any director or officer of the Company or otherwise make any public announcement or proposal whatsoever with respect to, any form of business combination transaction involving the Company, including, without limitation, a merger, exchange offer or liquidation of the Company's assets, or any

corporate reorganization or similar transaction with respect to the Company, except in each case with the approval of the Board of Directors or management of the Company; or

(xii) instigate or encourage any third party to do any of the foregoing.

Notwithstanding clauses (ix) and (x) above, the Shareholders may effect any transaction contemplated by Article III hereof.

(b) Notwithstanding the provisions of this Section 1.1, nothing herein shall apply with respect to any Equity Securities acquired from any person other than a Stockholder (x) held by any pension, retirement or other benefit plan managed by any Stockholder or any of its subsidiaries or other Affiliates or (y) held in any account managed for the benefit of another person, by any subsidiary or other Affiliate of any of the Shareholders which is engaged in the financial services business. In addition, notwithstanding the provisions of this Section 1.1, nothing herein shall prohibit or restrict any transfer of Equity Securities to or among any of the subsidiaries or other Affiliates of any of the Shareholders (provided that such subsidiary or Affiliate agrees to be bound to the provisions of this Agreement, upon which such subsidiary or Affiliate shall be entitled to all rights and benefits, and shall be subject to all obligations, of a Stockholder under this Agreement).

(c) For the purposes of this Agreement, (i) the term "EQUITY SECURITIES" shall mean the Preferred Stock and any securities entitled to vote generally in the election of directors of the Company, or any direct or indirect rights or options to acquire any such securities or any securities convertible or exercisable into or exchangeable for such securities (provided that, in the event that the Guaranty Warrants (as defined below) become warrants to acquire Equity Securities, such Guaranty Warrants and any securities issued pursuant to the exercise of such Guaranty Warrants, shall not (so long, in each case, as they are held by the Stockholder) constitute Equity Securities for purposes of determining the appropriate number of shares of Common Equity Securities which Loral is entitled to acquire hereunder, including in connection with the determination of the Target Percentage pursuant to Section 1.4(a) hereof), (ii) the term "VOTING POWER" shall mean the voting power in the general election of directors of the Company, (iii) the term "TOTAL VOTING POWER" shall mean the total combined Voting Power of all the Equity Securities then outstanding, including, without limitation, the Preferred Stock, and, insofar as the Preferred Stock is concerned, it is deemed to have Voting Power equal to that of the Common Stock into which it is convertible, (iv) the term "CHANGE OF CONTROL" shall mean the occurrence of any of the following events: (A) any "person" or

"group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner of Equity Securities which represent at least forty percent (40%) of the Total Voting Power, or (B) during any one-year period, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office, (v) the term "BENEFICIAL OWNER", and terms having similar import, shall mean any direct or indirect "beneficial owner", as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act, and (vi) the term "GUARANTY WARRANTS" shall mean those warrants which accrue to the benefit of the Company in connection with the Globalstar Bank Guarantee, as described in the Globalstar Warrant Memorandum.

1.2. HSR Clearance.

(a) At any time after the date hereof (but subject to the provisions of Section 1.2(b) below), following a written request by Loral to the Company (such request, the "HSR NOTICE"), the Company and the Shareholders will
(i) take promptly all actions necessary to make the filings required of the Shareholders, the Company or any of their respective Affiliates under the HSR Act (as defined in the Merger Agreement) with respect to the right to convert Preferred Stock and continue to own the securities so received, the ownership and voting of Equity Securities by the Shareholders, any of the transactions contemplated by this Agreement or any other similar matters (all such exercise, ownership, voting, transaction and other similar matters, the "FILING Matters"),
(ii) comply at the earliest practicable date with any request for additional information or documentary material received by the Company or the Shareholders or any of their Affiliates from any of the Federal Trade Commission, the Antitrust Division of the Department of Justice, state attorneys general, the Commission, or other governmental or regulatory authorities (all such authorities, the "ANTITRUST AUTHORITIES"), and (iii) cooperate with each other in connection with any of the filings referred to in clause (i) above and in connection with resolving any investigation or other inquiry commenced by any of the Antitrust Authorities. To the extent reasonably requested by Loral, the Company shall use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Filing Matters. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging any aspect of the Filing Matters as violative of any Antitrust Law, each of the Shareholders and the Company shall cooperate with

each other to contest and resist any such action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits the exercise by the Shareholders of the right to convert Preferred Stock and continue to own the securities so received, or the exercise by Loral of its rights with respect to the ownership and voting of Equity Securities or any of the transactions contemplated by this Agreement (any such decree, judgment, injunction or other order is hereafter referred to as an "ORDER"), including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal, provided that nothing contained in this Section 1.2(a) shall be construed to require any party hereto to hold separate or divest any of their respective assets or businesses or agree to any substantive restriction thereon or on the conduct thereof. Each of the Company and Loral shall promptly inform the other party of any material communication received by such party from any Antitrust Authority regarding any of the Filing Matters or any of the other transactions contemplated hereby. For the purposes of this Agreement, the term "HSR CLEARANCE DATE" shall mean the first date on which (x) any applicable waiting period under the HSR Act with respect to the Filing Matters shall have expired or been terminated, (y) there shall not be pending any Action commenced by any Antitrust Authority relating to any of the Filing Matters or any of the other transactions contemplated hereby, and (z) there shall not be in effect any Order.

(b) Notwithstanding the provisions of Section 1.2(a) above, in the event that Loral delivers the HSR Notice to the Company, the Company shall be entitled to postpone for a reasonable period of time (but in no event later than 45 days), any filing referred to in Section 1.2(a)(i) above if the Company determines in its reasonable judgment and in good faith that such filing would delay the obtaining of any approval from an Antitrust Authority with respect to any announced or imminent material acquisition or disposition which would require a filing by the Company under the HSR Act. In the event of such postponement, Loral shall have the right to withdraw its HSR Notice and may deliver any such HSR Notice at any time thereafter.

1.3. Voting.

(a) General Voting Provisions. Prior to the HSR Clearance Date, no Stockholder shall have the right to convert Preferred Stock into common stock or the right to vote any Equity Securities with respect to the election of directors of the Company. Following the HSR Clearance Date, each Stockholder shall have the right to vote its Equity Securities to the extent permitted by the terms thereof on any matters submitted to a vote of the Shareholders of the Company, provided that following the HSR Clearance Date any Stockholder shall have the right to vote

any Equity Securities to the extent permitted by the terms thereof with respect to the election of directors of the Company without restriction, provided that, except as expressly provided in Section 1.7, in the event of an "election contest" (as such term is used in Rule 14a-11 under the Exchange Act) each Stockholder shall have the right to vote in the election contest only (i) as recommended by the Board of Directors or management of the Company or (ii) in the same proportions as the holders of Equity Securities (other than Shareholders) vote their Securities. On each matter with respect to which a Stockholder is entitled to vote pursuant to this Section 1.3, each such Stockholder shall be present, in person or represented by proxy, at all such stockholder meetings of the Company so that all Equity Securities beneficially owned by it shall be counted for the purpose of determining the presence of a quorum at such meetings. For purposes of this Section 1.3, all references to the term "vote" shall include the execution and delivery of any written consent with respect to the taking of any shareholder action in lieu of a meeting of shareholders.

(b) Company Call. If, within one year following the date hereof, the Shareholders vote against any Call Event Triggering Transaction (as defined below), the Company shall have the right, for 10 days following the date on which such vote is held, to purchase, and the Shareholders shall be required to sell to the Company, all, but not less than all, of the Equity Securities held by the Shareholders at a per share cash price equal to the Call Event Trigger Price (as defined below). The Company may exercise such right by delivering to each Stockholder, within such 10-day period, a written notice stating that the Company has irrevocably agreed to purchase in cash all (but not less than all) of the Equity Securities held by the Shareholders at the Call Event Trigger Price upon the terms and conditions set forth in this Section 1.3(b). The closing with respect to the purchase of Equity Securities by the Company pursuant to this Section 1.3(b) shall be on a mutually determined closing date which shall not be more than 15 days after the date on which the Company's written notice referred to above is delivered to the Shareholders. The closing shall be held at 10:00 A.M., local time, at the principal office of the Company, or at such other time or place as the parties mutually agree. On such closing date, each Stockholder shall deliver (i) certificates representing the shares of Equity Securities being sold, free and clear of any lien, claim or encumbrance, and (ii) such instruments of transfer and evidence of ownership and authority as the Company may reasonably request. The purchase price shall be paid by the Company to each Stockholder by wire transfer of immediately available funds no later than 2:00 P.M. on the closing date to the account(s) designated by the Shareholders prior to such closing date.

(c) Certain Definitions. For purposes of Section 1.3,

(i) the term "CALL EVENT TRIGGERING TRANSACTION" shall mean a transaction between the Company, on the one hand, and any Spinco Company (or any other Subsidiary of either the Company or a Spinco Company), on the other hand, involving (x) any merger, consolidation, corporate reorganization or similar transaction involving the Company; or (y) any sale, lease, exchange, transfer or other disposition, directly or indirectly, in a single transaction or series of related transactions, of all or substantially all of the assets of the Company or any of its Affiliates; provided that the term "Call Event Triggering Transaction" shall not include any transaction involving any party which is not a Spinco Company (or any other Subsidiary of either the Company or a Spinco Company); and

(ii) the term "CALL EVENT TRIGGER PRICE" shall mean the sum of (x) $344,000,000.00, plus (y) all amounts expended by the Shareholders following the date hereof in connection with the acquisition of Equity Securities other than acquisitions from another Stockholder following the date hereof, minus (z) any net sales proceeds received by the Shareholders following the date hereof in connection with the sale of Equity Securities (other than sales to another Stockholder) following the date hereof.

1.4. Loral Option.

(a) General Provisions Relating to Loral Option. If, within five years following the date hereof, any Option Event Triggering Transaction (as defined below) occurs, Loral shall have the right, within 90 days after the consummation of the Option Event Triggering Transaction, to purchase, and the Company (for purposes of this Section 1.4, all references to the "COMPANY" shall be deemed to include the Surviving Corporation (as defined below), shall be required to sell to Loral, a number of shares of Preferred Stock which would cause Loral to own Equity Securities with Voting Power equal to the Target Percentage (as defined below) of the Total Voting Power immediately after giving effect to the consummation of the Option Event Triggering Transaction, at a per share cash price equal to the Option Event Trigger Price (as defined below). Loral may exercise such right by delivering to the Company, within such 90-day period, a written notice stating that Loral (or any Subsidiary of Loral designated by Loral; for purposes of this Section 1.4, all references to "LORAL" shall be deemed to include such designated Subsidiary) has irrevocably agreed to purchase in cash the number of shares of Preferred Stock specified in the preceding sentence, at the Option Event Trigger Price, upon the terms and conditions set forth in this Section 1.4. The closing with respect to the purchase of Preferred Stock by the Company pursuant to this Section 1.4 shall be on a mutually determined closing date which shall not be more than 15 days after the date on which Loral's written notice referred to above is delivered to

the Company. The closing shall be held at 10:00 A.M., local time, at the principal office of the Company, or at such other time or place as the parties mutually agree. On such closing date, the Company shall issue to Loral certificates representing the shares of Preferred Stock being sold, which shall be validly issued, fully paid and non-assessable and free and clear of any lien, claim or encumbrance. The purchase price shall be paid by Loral to the Company by wire transfer of immediately available funds no later than 2:00 P.M. on the closing date to the account designated in writing by the Company prior to such closing date. For purposes of this Section 1.4,

(i) the term "OPTION EVENT TRIGGERING TRANSACTION" shall mean a transaction involving as parties, among others, the Company or any of its Affiliates (other than GTL and Globalstar), on the one hand, and either GTL or Globalstar or any of their respective Subsidiaries, on the other hand, involving either (x) a Call Event Triggering Transaction (including, without limitation, a similar transaction involving the merger, consolidation, reorganization, sale, lease, exchange, transfer or other disposition of all or substantially all of the assets, of Globalstar, GTL or their respective Subsidiaries) or the liquidation or (y) dissolution of the Company;

(ii) the term "OPTION EVENT TRIGGER PRICE" shall mean with respect to an Option Event Trigger Transaction occurring (x) on or prior to the first anniversary hereof, a $6.00 per share cash purchase price, subject to adjustment pursuant to the provisions of Section 1.4(b) hereof or (y) after the first anniversary hereof but on or prior to the fifth anniversary hereof, a per share price equal to 80% of the per share price of the Company implicit in the Option Event Triggering Transaction;

(iii) the term "SURVIVING CORPORATION" shall mean any successor to the rights and obligations of the Company as a result of or in connection with any Option Event Triggering Transaction; and

(iv) the term "TARGET PERCENTAGE" shall mean a percentage amount equal to the percentage of the Total Voting Power represented by the Equity Securities held by the Shareholders immediately prior to the closing of the Option Event Triggering Transaction; provided, however, that if there has occurred within the five days preceding such closing an event that diluted the Voting Power of the Equity Securities held by the Shareholders, the Target Percentage shall be determined as of the date five days prior to the closing of such Option Event Triggering Transaction.

(b) Adjustment of Loral Option Event Trigger Price. The Option Event Trigger Price shall be equitably adjusted from time to time after the date hereof to take into account of any of the following events: (i) if the Company shall pay a dividend or make any other distribution with respect to any Equity Securities which is payable in the form of Equity Securities or in the form of any other Asset (other than normal, periodic cash dividends of the Company),
(ii) if the Company shall subdivide its outstanding common stock, (iii) if the Company shall combine its outstanding common stock into a smaller number of shares, (iv) if the Company shall issue any shares of its capital stock in a reclassification of the Common Stock (including any such reclassification in connection with a merger, consolidation or other business combination involving the Company), or (v) in any other similar transaction affecting the Company or the number or value of the outstanding Equity Securities. The parties acknowledge and agree that each such equitable adjustment shall preserve for Loral the economic benefits of the Loral option set forth in Section 1.4(a) above.

1.5. Globalstar Warrant Put Option. In the event of any of the following transactions (each such transaction, a "WARRANT TRIGGER EVENT"):

(i) any merger, consolidation, corporate reorganization or similar transaction involving Globalstar or GTL;

(ii) any sale, lease, exchange, transfer or other disposition, directly or indirectly, of all or substantially all of the assets of Globalstar or GTL; or

(iii) any liquidation or dissolution of Globalstar or GTL;

in which it is proposed that the Globalstar Warrants be converted into cash or the right to receive cash, or any other interest (or the right to receive any other interest) in Globalstar other than common stock thereof the Shareholders shall have the right (the "LIMITED WARRANT PUT") to require the Company to purchase the Globalstar Warrants for a price equal to their Option Privilege Value (as defined below). The Shareholders may exercise the Limited Warrant Put by delivering to the Company, at least 10 days prior to the scheduled closing of the Warrant Trigger Event, a notice to such effect accompanied by appropriate documentation or certificates evidencing the Globalstar Warrants. The Option Privilege Price shall be payable by the Company 10 days after the determination thereof. As used herein, the term "OPTION PRIVILEGE PRICE" means the greater of
(x) the consideration payable in respect of the Globalstar Warrants in the Warrant Trigger Event and (y) the hypothetical fair market value that would be assigned to the Globalstar Warrants at the date of the

Warrant Trigger Event assuming (1) that no Warrant Trigger Event were to occur then or at any time prior to the expiration of the Globalstar Warrants, (2) that the Globalstar Warrants would remain outstanding until such expiration in accordance with their terms, exercisable for shares of or interests in the issuer thereof, and (3) that such issuer would remain a public company during such period. The Option Privilege Price shall be determined by an investment banking firm of national standing selected by agreement of the Company and the Shareholders or, failing such agreement, by agreement of Bear Stearns Co. Inc. and Lehman Brothers. Such investment banking firm shall, in determining the Option Privilege Price, give full effect to (i) the spread between the exercise price and the fair market value of the securities into which the Globalstar Warrants are exercisable and (ii) the value of the "option privilege" in the Globalstar Warrants (that is, the value of the right, without risking any capital, to speculate on and benefit from appreciation in the underlying securities).

1.6. Required Sales by Shareholders.

(a) Immediately following any repurchase by the Company of any of its outstanding Equity Securities which repurchase has the effect of increasing the Total Voting Power of all Shareholders to an amount in excess of 20% of Total Voting Power (a "REPURCHASE EVENT"), the Company shall give written notice (the "REPURCHASE EVENT NOTICE") thereof to each Stockholder. The Repurchase Event Notice shall set forth in reasonable detail the transactions resulting in the Repurchase Event, specify the Repurchase Price (as defined in Section 1.6(c) hereof) and set a date (the "REPURCHASE DATE") for the repurchase by the Company of the Adjustment Securities (as defined in Section 1.6(b) hereof) as contemplated by Section 1.6(b) hereof. The Repurchase Date shall be not sooner than 15 nor later than 25 business days after either (i) the date the Repurchase Event Notice is sent to the Stockholder or (ii) if the provisions of Section 1.6(d)(ii) hereof are applicable, the Section 16(d) Date (as defined in Section 1.6(d)(ii) hereof).

(b) Subject to the provisions of Section 1.6(c) and (d) hereof, on the Repurchase Date the Company shall purchase from each Stockholder and each Stockholder shall sell to the Company, a number of shares of Equity Securities (the "ADJUSTMENT SECURITIES") held by the Stockholder equal to the product of
(i) the aggregate number of shares of Equity Securities of all Shareholders less the aggregate number of shares of Equity Securities constituting 20% of the Total Voting Power, multiplied by (ii) the number of shares of Equity Securities held by the Stockholder divided by the number of shares of Equity Securities held by all Shareholders. The closing with respect to the purchase of Adjustment Securities shall be held on the Repurchase Date at 10:00 a.m. local time at the principal office of the Company, or at such other place and time as the parties mutually

agree. On the Repurchase Date each Stockholder (other than an Electing Stockholder (as defined in Section 1.6(d) hereof)) shall deliver (i) certificates representing the Adjustment Securities free and clear of any lien, claim or encumbrance, and (ii) such instruments of transfer and evidence of ownership and authority as the Company may reasonably request. The Company shall pay the purchase price to the Stockholder by wire transfer of immediately available funds no later than 2:00 p.m. on the Repurchase Date to an account designated by the Stockholder prior to the Repurchase Date.

(c) The per share repurchase price of the Adjustment Securities (the "REPURCHASE PRICE") shall be equal to the per share price paid by the Company in respect of the repurchase of Equity Securities resulting in the Repurchase Event; provided, that if after the immediately preceding Repurchase Event (or if none, the date of this Agreement) (the "PRIOR REPURCHASE EVENT") the Company has repurchased Equity Securities at different prices, then the Repurchase Price shall be equal to the highest per share price paid by the Company to repurchase Equity Securities after the Prior Repurchase Event (exclusive of repurchases after which the Stockholder's Total Voting Power was less than or equal to 20%); provided, however, that if pursuant to the preceding provisions of this Section 1.6(c) the Repurchase Price would be less than the Initial Purchase Price (as defined below), then each Stockholder may elect to sell the Adjustment Securities in accordance with the provisions of Section 1.6(d) hereof in lieu of selling the Adjustment Securities to the Company by giving written notice to the Company (the "MARKET SALE NOTICE"), within 10 business days after receipt of the Repurchase Event Notice, that the Stockholder has elected to sell the Adjustment Securities pursuant to the provisions of
Section 1.6(d) hereof. For purposes of this Agreement, the "INITIAL PURCHASE PRICE" means the price paid by the Stockholder (or its Affiliate) for the Adjustment Securities, increased at the rate of 10% per annum, compounded annually, from the date of the acquisition thereof through the date of the Repurchase Event Notice; it being understood that to the extent the Adjustment Securities include Equity Securities acquired by the Stockholder (or its Affiliate) on or before the Distribution Date (as defined in the Distribution Agreement), then (i) the Initial Purchase Price therefor shall be equal to $344 million divided by the number of shares of Equity Securities beneficially owned by the Shareholders immediately after the Distribution (subject to adjustment to reflect (1) the 10% annual compound rate of increase, (2) any of the events contemplated by Section 1.4(b) hereof, and (3) any stock splits, reverse stock splits, stock dividends or other similar events), and (ii) the date of acquisition thereof shall be the Distribution Date.

(d) If a Stockholder delivers the Market Sale Notice to the Company in the time required by Section 1.6(c) hereof (the "ELECTING STOCKHOLDER"), then the Electing Stockholder may sell

its Adjustment Securities to any one or more third parties not Affiliates of the Shareholders; provided, that such sale of Adjustment Securities shall be completed on or before the date that is the later of (i) the six-month anniversary of the Repurchase Event Notice (the "FIRST DATE"), (ii) the earliest date after the First Date on which Adjustment Securities can be sold by the Electing Stockholder without liability resulting therefrom under Section 16(b) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "SECTION 16(B) DATE"), (iii) provided the Electing Stockholder has requested in the Market Sale Notice the registration of the Adjustment Securities pursuant to Article III hereof, the six-month anniversary of the effective date of a registration statement filed with respect to the Adjustment Securities under the Securities Act of 1933, as amended, which registration statement has not after it becomes effective been interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court for any reason other than a misrepresentation or omission by the Electing Stockholder and, as a result thereof, the Adjustment Securities cannot be distributed in accordance with the plan of distribution, and (iv) provided clause (iii) of this Section 1.6(d) is not applicable, the earliest date after the Repurchase Event Notice which is the end of a period during which the Adjustment Securities could have been sold pursuant to Rule 144 (or any similar provision then in force).

(e) The Electing Stockholder may demand that Adjustment Securities be registered under the Securities Act pursuant to Article III hereof; provided, that a registration of Adjustment Securities pursuant to Article III hereof shall not be (i) subject to the limitation set forth in Section 3.1(a) hereof on the minimum number of shares that can be registered pursuant to Article III, and
(ii) counted as one of the five requests for registration permitted under
Section 3.1(a) hereof.

(f) Except to the extent otherwise expressly provided in this
Section 1.6, the provisions of this Agreement shall not in any manner limit or otherwise restrict the rights of an Electing Stockholder to transfer Adjustment Securities

1.7. Special Nominating and Voting Rights.

(a) Notwithstanding anything to the contrary contained in this Agreement, from and after the seventh anniversary of the date hereof, the Shareholders shall have the right to nominate for election to the Board of Directors a Proportionate Number (as defined below) of nominees ("STOCKHOLDER NOMINEES") and to vote their Equity Securities in favor of their election.

(b) With respect to each meeting of shareholders of the Company at which directors are to be elected which occurs on or after the seventh anniversary of the date hereof, the Company

will give the Shareholders 30 days' prior written notice of the filing with the SEC of proxy materials with respect thereto. On or before the 10th day following receipt of such notice the Shareholders shall notify the Company if they intend to propose Stockholder Nominees and within 10 days thereafter shall supply the Company with the Special Nominee Information (as defined below). The Company will include the Special Nominee Information in its proxy materials with respect to such meeting, and the Shareholders will not engage in any action otherwise prohibited by Section 1.1(ii) or (v) with respect to the Stockholder Nominees or otherwise.

(c) In the event that, following any election of Stockholder Nominees to the Board of Directors and before the next meeting of shareholders at which directors are elected, the size of the Board of Directors is increased so as to increase the Proportionate Number of directors, the Company will use its best efforts to create additional seats on the Board of Directors, offer the Shareholders the right to propose additional Stockholder Nominees to fill such vacancies and use its best efforts to cause such vacancies to be filled by any such nominees so that the Stockholder Nominees would constitute a Proportionate Number of the enlarged Board.

(d) The Company will not propose, and will use its best efforts to prevent, the adoption of any amendment of any of the charter documents of the Company that would adversely affect the rights of the Shareholders under this Agreement.

(e) As used in this Section 1.7, the following terms are used as defined below:

"PROPORTIONATE NUMBER" means a number of directors or nominees, as the case may be, rounded up to the nearest whole number, that would represent a proportion of the entire Board of Directors (after giving effect to the election of Directors or enlargement of the Board in question) equal to the proportion of the Total Voting Power of the Company that is represented by the Voting Power of the Equity Securities beneficially owned by the Shareholders, provided, that if the Proportionate Number (as calculated above) would otherwise be reduced if the total number of members of the Board of Directors were reduced by a single member, the Proportionate Number will be calculated by rounding down, rather than rounding up, to the nearest whole number.

"SPECIAL NOMINEE INFORMATION" means the information as to each nominee for director required to be included in the Company's proxy materials under the Exchange Act and the rules and regulations thereunder, and may include a brief statement as to the qualifications of the Stockholder Nominees and the Shareholders' reasons for seeking their election to the board, but shall not include any invidious comparisons between the Stockholder Nominees and other nominees for director or any

criticism of the other nominees for director or of incumbent management, its policies or the Company's performance.

II.

TRANSFER RESTRICTIONS

2.1. Certain Transactions. Notwithstanding anything contained in this Agreement to the contrary, a Stockholder may without restriction:

(i) assign, pledge, mortgage, hypothecate, or otherwise encumber or transfer all or any of its Equity Securities in connection with any bona fide financing arrangement entered into by such person or otherwise in connection with any indebtedness owed by such Stockholder; provided that in the event that the Stockholder in question defaults, the creditor's rights and obligations with respect to the voting and transfer of such Equity Securities and the registration thereof shall be the same as the Stockholder in question had under the provisions of this Agreement and the creditor in question shall be deemed to be a Stockholder under this Agreement for such purposes;

(ii) transfer any Equity Securities to another Stockholder or any subsidiary or other Affiliate thereof (provided that such subsidiary or Affiliate agrees to be bound to the provisions of this Agreement, upon which such subsidiary or Affiliate shall be entitled to all rights and benefits, and shall be subject to all obligations, of a Stockholder under this Agreement);

(iii) transfer any Equity Securities pursuant to any registered public offering in connection with the provisions of Article III hereof or pursuant to the provisions of Rule 144 (or any similar provision then in force) under the Securities Act provided that such transfer under Rule 144 or any similar provision meets the volume restrictions set forth in Rule 144 as in effect on the date hereof; or

(iv) transfer any Equity Securities pursuant to any merger, consolidation, corporate reorganization, restructuring or any other similar transaction affecting the Company or pursuant to any involuntary transfer.

2.2. Rights Pursuant to a Tender Offer. Each Stockholder (any such Stockholder shall, for purposes of this Section 2.2, be referred to as a "TENDERING STOCKHOLDER") shall have the right to sell or exchange all its Equity Securities pursuant to a tender or exchange offer for the Equity Securities

(an "OFFER"). However, during the Term, prior to such sale or exchange, the Tendering Stockholder shall give the Company the opportunity to purchase such Equity Securities in the following manner:

(i) The Tendering Stockholder shall give notice (the "TENDER NOTICE") to the Company in writing of its intention to sell or exchange Equity Securities in response to an Offer no later than three calendar days prior to the latest time (including any extensions) by which Equity Securities must be tendered in order to be accepted pursuant to such Offer, specifying the amount of Equity Securities proposed to be tendered by the Tendering Stockholder (the "TENDERED SHARES") and the purchase price per share specified in the Offer at the time of the Tender Notice.

(ii) If the Tender Notice is given, the Company shall have the right to purchase all, but not less than all, of the Tendered Shares exercisable by giving written notice (an "EXERCISE NOTICE") to the Tendering Stockholder at least two calendar days prior to the latest time after delivery of the Tender Notice by which Equity Securities must be tendered in order to be accepted pursuant to the Offer (including any extensions thereof) and depositing in any escrow or similar arrangement reasonably acceptable to the Tendering Stockholder, a sum in cash sufficient to purchase all Tendered Shares at the price then being offered in the Offer, without regard to any provision thereof with respect to proration or conditions to the offeror's obligation to purchase. The delivery by the Company of an Exercise Notice and deposit of funds as provided above will, except as provided below, constitute an irrevocable agreement by the Company to purchase, and the Tendering Stockholder to sell, the Tendered Shares in accordance with the terms of this Section 2.2, whether or not the Offer or any other tender or exchange offer (a "COMPETING TENDER OFFER") for Equity Securities that was outstanding during the Offer is consummated.

(iii) The purchase price to be paid by the Company for any Equity Securities purchased by it pursuant to this Section 2.2 shall be the highest price offered or paid in the Offer or in any Competing Tender Offer. For purposes hereof, the price offered or paid in a tender or exchange offer for Voting Shares shall be deemed to be the price offered or paid pursuant thereto, without regard to any provisions thereof with respect to proration or conditions to the offeror's obligation to purchase. If the purchase price per share specified in the Offer includes any property other than cash (the "OFFER NONCASH PROPERTY"), the purchase price per share at which the Company shall be entitled to purchase all, but not less than all, of the Equity Securities specified in the Tender Notice shall be

(y) the amount of cash per share, if any, specified in such Offer (the "CASH PORTION"), plus (z) an amount of cash per share equal to the value of the Offer Noncash Property per share (the "CASH VALUE OF OFFER NONCASH PROPERTY"), as determined in good faith by the mutual agreement of the parties hereto, or if the parties cannot agree, by an independent, nationally recognized investment banking firm selected by the Tendering Shareholders and reasonably acceptable to the Company. If the Company exercises its right of first refusal by giving an Exercise Notice, the closing of the purchase of the Equity Securities with respect to such right (the "CLOSING") shall take place at 3:00 p.m., local time (or, if earlier, two hours before the latest time by which Equity Securities must be tendered in order to be accepted pursuant to the Offer), on the last day on which Equity Securities must be tendered in order to be accepted pursuant to the Offer (including any extensions thereof) (the "LAST TENDER DATE"), and the Company shall pay the purchase price for the Equity Securities specified above. The Tendering Stockholder shall be entitled to rescind its Tender Notice at any time prior to the Last Tender Date by notice in writing to the Company; provided that if on or before the Last Tender Date, the Company publicly announces that the Company has approved, proposed or entered into an agreement with respect to (either individually or together with any other persons) a recapitalization, reorganization or business combination with respect to the Company or all or substantially all of its assets, or a self-tender offer, the Tendering Stockholder shall be entitled to rescind its Tender Notice by notice in writing to the Company at any time prior to the Closing on the Last Tender Date. If the Tendering Stockholder rescinds its Tender Notice pursuant to the immediately preceding sentence, the Company's Exercise Notice with respect to such Offer shall be deemed to be immediately rescinded and the Tendering Stockholder's disposition of its Equity Securities in response to the Offer with respect to which the Tender Notice is rescinded or any other Offer shall again be subject to all of the provisions of this Section 2.2.

(iv) If the Company does not exercise its right of first refusal set forth in this Section 2.2 within the time specified for such exercise by giving an Exercise Notice, then the Tendering Stockholder shall be free to accept, for all its Equity Securities, the Offer with respect to which the Tender Notice was given or any Competing Tender Offer (including any increases and extensions thereof).

III.

REGISTRATION RIGHTS

3.1. Registration Upon Request.

(a) At any time commencing on the date hereof and continuing thereafter, each Stockholder (any such Stockholder, whether registering securities pursuant to this Section 3.1 or Section 3.2, shall be referred to as a "REGISTERING STOCKHOLDER") shall have the right to make written demand upon the Company, on not more than five separate occasions (subject to the provisions of this Section 3.1), to register under the Securities Act, any common stock or other securities of the Company held by it (the securities subject to such demand hereunder or subject to the provisions of Section 3.2 being referred to in each case as the "SUBJECT SECURITIES"), and the Company shall use its best efforts to cause such securities to be registered under the Securities Act as soon as reasonably practicable so as to permit the sale thereof promptly; provided that each such demand shall cover at least the lesser of (i) 10 million shares of Common Stock or Preferred Stock convertible into 10 million shares of Common Stock and (ii) shares having a market value of $150 million shares of Common Stock (subject to adjustment for stock splits, reverse stock splits, stock dividends and similar events after the date hereof). In connection therewith, the Company shall prepare, and as soon as reasonably practicable but in no event later than 90 days of the receipt of the request, file, on Form S-3 if permitted or otherwise on the appropriate form, a registration statement under the Securities Act to effect such registration. Such registration shall be effected in accordance with the intended method or methods of disposition specified by the Registering Shareholders (including, but not limited to, an offering on a delayed or continuous basis pursuant to Rule 415 (or any successor rule to similar effect) promulgated under the Securities Act). Each Registering Stockholder agrees to provide all such information and materials and to take all such action as may be reasonably required in order to permit the Company to comply with all applicable requirements of the Securities Act and the SEC and to obtain any desired acceleration of the effective date of such registration statement. If the offering to be registered is to be underwritten, the managing underwriter shall be selected by the Registering Shareholders and shall be reasonably satisfactory to the Company. Notwithstanding the foregoing, the Company (i) shall not be obligated to prepare or file more than one registration statement other than for purposes of a stock option or other employee benefit or similar plan during any twelve-month period, (ii) shall be entitled to postpone for a reasonable period of time (but in no event later than 60 days), the filing of any registration statement otherwise required to be prepared and filed by the Company if (A) the Company is, at such time, conducting or about to conduct an underwritten public offering of securities and is advised by its

managing underwriter or underwriters in writing (with a copy to the Registering Shareholders), that such offering would, in its or their opinion, be materially adversely affected by the registration so requested, or (B) the Company determines in its reasonable judgment and in good faith that the registration and distribution of the Subject Securities would interfere with any announced or imminent material financing, acquisition, disposition, corporate reorganization or other material transaction of a similar type involving the Company. In the event of such postponement, the Registering Shareholders shall have the right to withdraw the request for registration by giving written notice to the Company within 20 days after receipt of the notice of postponement (and, in the event of such withdrawal, such request shall not be counted for purposes of determining the number of registrations to which the Registering Shareholders are entitled pursuant to this Section 3.1).

(b) The Company shall not grant to any other holder of its securities, whether currently outstanding or issued in the future, any incidental or piggyback registration rights with respect to any registration statement filed pursuant to a demand registration under this Section 3.1 and without the prior consent of the Registering Shareholders, the Company will not itself, and will not permit any other holder of its securities to, participate in any offering made pursuant to a demand registration under this Section 3.1. The Company may grant to other holders of its securities incidental or piggyback registration rights on a primary offering by the Company which are no more favorable to such holders than the provisions set forth in Section 3.2 are to the Shareholders. If the Registering Shareholders consents to the inclusion of offers and sales of any other securities in a registration pursuant to this
Section 3.1 and the underwriter(s) retained in connection with such registration subsequently advise the Registering Shareholders that such offering would be adversely affected by the inclusion of such other securities, the Registering Shareholders may in their sole discretion exclude all or some of such securities from such registration.

(c) Any registration requested by any Registering Stockholder pursuant to this Section 3.1 shall not be deemed to have been effected (and, therefore, not requested for purposes of this Section 3.1), (i) unless it has become effective, (ii) if after it has become effective such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court for any reason other than a misrepresentation or an omission by the Registering Shareholders and, as a result thereof, the Subject Securities requested to be registered cannot be completely distributed in accordance with the plan of distribution set forth in the related registration statement or (iii) if the closing pursuant to the purchase agreement or underwriting agreement entered into in connection with such registration does not occur. Any registration effected pursuant to Section 3.2 shall not be deemed

to have been requested by a Registering Stockholder for purposes of this Section 3.1.

3.2. Incidental Registration Rights. If the Company proposes to register any of its Equity Securities under the Securities Act for its own account (other than (i) pursuant to Section 3.1 hereof, (ii) securities to be issued pursuant to a stock option or other employee benefit or similar plan, and
(iii) securities proposed to be issued in exchange for securities or assets of, or in connection with a merger or consolidation with, another corporation), the Company shall, as promptly as practicable, give written notice to the Registering Shareholders of the Company's intention to effect such registration. If, within 15 days after receipt of such notice, a Registering Stockholder submits a written request to the Company specifying the amount of Equity Securities that it proposes to sell or otherwise dispose of in accordance with this Section 3.2, the Company shall use its best efforts to include the securities specified in the Registering Stockholder's request in such registration. If the offering pursuant to such registration statement is to be made by or through underwriters, the managing underwriters shall be chosen by the Company and shall be reasonably satisfactory to the Registering Shareholders and the Company, and the Registering Shareholders and such underwriter shall execute an underwriting agreement in customary form. If the managing underwriter reasonably determines in good faith and advises the Registering Shareholders in writing that the inclusion in the registration statement of all the Equity Securities proposed to be included would interfere with the successful marketing of the securities proposed to be registered, then the Company and the Registering Shareholders shall negotiate in good faith to agree upon an equitable adjustment in the number or amount of securities of each to be included in such underwriting (provided that in the event that the Company and the Registering Shareholders are unable to agree upon an equitable adjustment in the number or amount of securities of each to be included in such underwriting, then the number of securities which the Company and the Registering Shareholders propose to register shall be reduced pro rata (based upon the respective market values of each party's respective share of the total number of securities proposed to be registered). No registration effected under this Section 3.2 shall relieve the Company of its obligation to effect any registration upon request under Section 3.1. If the Registering Shareholders are permitted to participate in a proposed offering pursuant to this Section 3.2, the Company thereafter may determine either not to file a registration statement relating thereto, or to withdraw such registration statement, or otherwise not to consummate such offering, without any liability hereunder. Any underwriters participating in a distribution of the Subject Securities pursuant to Sections 3.1 and 3.2 hereof shall use all reasonable efforts to effect as wide a distribution as is reasonably practicable, and in no event shall any sale of Subject Securities be made knowingly to any person (including its Affiliates and any

group in which that person or its Affiliates shall be a member, or the Registering Shareholders or the underwriters know of the existence of such a group or Affiliate) that, immediately prior to giving effect to any such sale, beneficially owned Equity Securities representing five percent (5%) or more of the Total Voting Power. The Registering Shareholders and the Company shall use all reasonable efforts to secure the agreement of the underwriters, in connection with any underwritten offering of its Equity Securities, to comply with the foregoing.

3.3. Registration Mechanics. (a) In connection with any offering of Subject Securities registered pursuant to Section 3.1 or 3.2 herein, the Company shall (i) furnish to the Registering Shareholders such number of copies of any prospectus (including preliminary and summary prospectuses) and conformed copies of the registration statement (including amendments or supplements thereto and, in each case, all exhibits) and such other documents as any Registering Stockholder may reasonably request; (ii)(A) use its best efforts to register or qualify the Subject Securities covered by such registration statement under such blue sky or other state securities laws for offer and sale as the Registering Shareholders shall reasonably request and (B) keep such registration or qualification in effect for so long as the registration statement remains in effect; provided that the Company shall not be obligated to qualify to do business as a foreign corporation under the laws of any jurisdiction in which it shall not then be qualified or to file any general consent to service of process in any jurisdiction in which such a consent has not been previously filed or subject itself to taxation in any jurisdiction wherein it would not otherwise be subject to tax but for the requirements of this Section 3.3; (iii) use its best efforts to cause all Subject Securities covered by such registration statement to be registered with or approved by such other federal or state government agencies or authorities as may be necessary, in the opinion of counsel to the Registering Shareholders, to enable the Registering Shareholders to consummate the disposition of such Subject Securities; (iv) notify the Registering Shareholders any time when a prospectus relating thereto is required to be delivered under the Securities Act upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made, and (subject to the good faith determination of the Company's Board of Directors as to whether to permit sales under such registration statement), at the request of any Registering Stockholder promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make

the statements therein not misleading, in light of the circumstances under which they were made; (v) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC; (vi) use its best efforts to list the Subject Securities covered by such registration statement on the New York Stock Exchange or on any other Exchange on which the Subject Securities are then listed, if required by the rules of any such Exchange; (vii) use its best efforts to obtain a "cold comfort" letter from the independent public accountants for the Company in customary form and covering matters of the type customarily covered by such letters as may be reasonably requested by the Registering Shareholders, in the event of a registration effected pursuant to Section 3.1 hereof; (viii) execute and deliver all instruments and documents (including in an underwritten offering an underwriting agreement in customary form) and take such other actions and obtain such certificates and opinions as the Registering Shareholders reasonably request in order to effect an underwritten public offering; and (ix) before filing any registration statement or any amendment or supplement thereto, and as far in advance as is reasonably practicable, furnish to each Registering Stockholder and its counsel copies of such documents. In connection with any offering of Subject Securities registered pursuant to Section 3.1 or 3.2, the Company shall (x) furnish to the underwriter, if any, unlegended certificates representing ownership of the Subject Securities being sold in such denominations as requested and (y) instruct any transfer agent and registrar of the Subject Securities to release any stop transfer orders with respect to such Subject Securities. Upon any registration becoming effective pursuant to Section 3.1, the Company shall use its best efforts to keep such registration statement current for a period of 60 days (or 90 days, if the Company is eligible to use a Form S-3, or successor form) or such shorter period as shall be necessary to effect the distribution of the Subject Securities.

(a) Before filing with the SEC any registration statement referred to herein or any amendments or supplements thereto, the Company shall furnish to the Registering Shareholders or their respective counsel copies of all such documents proposed to be filed, in order to give the Registering Shareholders or their respective counsel sufficient time to review such documents, and such documents may thereafter be filed subject to any timely and reasonable comments of the Registering Shareholders or their respective counsel. The Company shall
(i) deliver promptly to the Registering Shareholders or their respective counsel copies of all written communications between the Company and the SEC relating to the registration statement, and (ii) advise the Registering Shareholders or their respective counsel promptly of, and provide the Registering Shareholders or their respective counsel with the opportunity to participate in (to the extent reasonably practicable), all telephonic and other non-written communications between the Company and the SEC relating to such registration statement. The Company shall

respond promptly to any comments from the SEC with respect thereto, after consultation with the Registering Shareholders or their respective counsel, and shall take such other actions as shall be reasonably required in order to have each such registration statement declared effective under the Securities Act as soon as reasonably practicable following the date hereof.

(b) Each Registering Stockholder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in subdivision (iv) of this Section 3.3, it will forthwith discontinue its disposition of Subject Securities pursuant to the registration statement relating to such Subject Securities until its receipt of the copies of the supplemented or amended prospectus contemplated by subdivision (iv) of this
Section 3.3 and, if so directed by the Company, will deliver to the Company all copies (other than permanent file copies) then in its possession of the prospectus relating to such Subject Securities current at the time of receipt of such notice. If any Registering Stockholder's disposition of Subject Securities is discontinued pursuant to the foregoing sentence unless the Company thereafter extends the effectiveness of the registration statement to permit dispositions of Subject Securities by the Registering Stockholder for an aggregate of 60 days (or 90 days, if the Company is eligible to use a Form S-3, or successor form), whether or not consecutive, the registration statement shall not be counted for purposes of determining the number of registrations to which the Registering Shareholders are entitled pursuant to Section 3.1.

3.4. Expenses. The Registering Shareholders shall pay all agent fees and commissions and underwriting discounts and commissions related to Subject Securities being sold by the Registering Shareholders and the fees and disbursements of its counsel and accountants and the Company to the extent permitted by applicable law shall pay all fees and disbursements of its counsel and accountants in connection with any registration pursuant to this Article
III. All other fees and expenses in connection with any registration statement (including, without limitation, all registration and filing fees, all printing costs, all fees and expenses of complying with securities or blue sky laws) shall to the extent permitted by applicable law (i) in the case of a registration pursuant to Section 3.1, be borne equally by the Registering Shareholders and the Company and (ii) in the case of a registration pursuant to
Section 3.2, be shared pro rata based upon the respective market values of the securities to be sold by the Company, the Registering Shareholders and any other holders participating in such offering; provided that the Registering Shareholders shall not be obligated to pay any expenses relating to work that would otherwise be incurred by the Company including, but to limited to, the preparation and filing of periodic reports with the SEC.

3.5. Indemnification and Contribution. (a) In the case of any offering registered pursuant to this Article III, the

Company agrees to indemnify and hold each Registering Stockholder, each underwriter, if any, of the Subject Securities under such registration and each person who controls any of the foregoing within the meaning of Section 15 of the Securities Act, and any officer, employee or partner of the foregoing, harmless against any and all losses, claims, damages, or liabilities (including reasonable legal fees and other reasonable expenses incurred in the investigation and defense thereof) to which they or any of them may become subject under the Securities Act or otherwise (collectively "LOSSES"), insofar as any such Losses shall arise out of or shall be based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement relating to the sale of such Subject Securities (as amended if the Company shall have filed with the SEC any amendment thereof), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or
(ii) any untrue statement or alleged untrue statement of a material fact contained in the prospectus relating to the sale of such Subject Securities (as amended or supplemented if the Company shall have filed with the SEC any amendment thereof or supplement thereto), or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the indemnification contained in this Section 3.5 shall not apply to such Losses which shall arise primarily out of or shall be based primarily upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, which shall have been made in reliance upon and in conformity with information furnished in writing to the Company by the Registering Shareholders or any such underwriter, as the case may be, specifically for use in connection with the preparation of the registration statement or prospectus contained in the registration statement or any such amendment thereof or supplement therein.

(a) In the case of each offering registered pursuant to this Article III, the Registering Shareholders and each underwriter, if any, participating therein shall agree, substantially in the same manner and to the same extent as set forth in the preceding paragraph, severally to indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, and the directors and executive officers of the Company, with respect to any statement in or omission from such registration statement or prospectus contained in such registration statement (as amended or as supplemented, if amended or supplemented as aforesaid) if such statement or omission shall have been made in reliance upon and in conformity with information furnished in writing to the Company by the Registering Shareholders or such underwriter, as the case may be, specifically for use in connection with the preparation of such registration statement or

prospectus contained in such registration statement or any such amendment thereof or supplement thereto.

(b) Each party indemnified under this Section 3.5 shall, promptly after receipt of notice of the commencement of any claim ("CLAIM") against such indemnified party in respect of which indemnity may be sought hereunder, notify the indemnifying party in writing of the commencement thereof. The failure of any indemnified party to so notify an indemnifying party shall not relieve the indemnifying party from any liability in respect of such Claim which it may have to such indemnified party on account of the indemnity contained in this Section 3.5, unless (and only in the event) the indemnifying party was materially prejudiced by such failure, and in no event shall such failure relieve the indemnifying party from any other liability which it may have to such indemnified party. In case any Claim in respect of which indemnification may be sought hereunder shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may desire, jointly with any other indemnifying party similarly notified, to assume the defense thereof through counsel reasonably satisfactory to the indemnified party by notifying the indemnified party in writing of such election within 10 days after receipt of the indemnified party's initial notice of the Claim, and after such notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 3.5 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation (unless such indemnified party reasonably objects to such assumption on the grounds that there may be defenses available to it which are different from or in addition to those available to such indemnifying party in which event the indemnified party shall be reimbursed by the indemnifying party for the reasonable expenses incurred in connection with retaining separate legal counsel). If the indemnifying party undertakes to defend against such Claim within such 10-day period, the indemnifying party shall control the investigation, defense and settlement thereof; provided that (i) the indemnifying party shall use its reasonable efforts to defend and protect the interests of the indemnified party with respect to such Claim, (ii) the indemnified party, prior to or during the period in which the indemnifying party assumes control of such matter, may take such reasonable actions as the indemnified party deems necessary to preserve any and all rights with respect to such matter, without such actions being construed as a waiver of the indemnified party's rights to defense and indemnification pursuant to this Agreement, and (iii) the indemnifying party shall not, without the prior written consent of the indemnified party, consent to any settlement which (A) imposes any Liabilities on the indemnified party (other than those

Liabilities which the indemnifying party agrees to promptly pay or discharge), and (B) with respect to any non-monetary provision of such settlement, would be likely, in the indemnified party's reasonable judgment, to have an adverse effect on the business operations, assets, properties or prospects of any Stockholder (in the event that a Registering Stockholder or any of its Affiliates is the indemnified party), or the Company (in the event that the Company is an indemnified party), or such indemnified party. If the indemnifying party does not undertake within such 10-day period to defend against such Claim, then the indemnifying party shall have the right to participate in any such defense at its sole cost and expense, but the indemnified party shall control the investigation, defense and settlement thereof (provided that the indemnified party may not settle any such Claim without obtaining the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld by the indemnifying party; provided that in the event that the indemnifying party is in material breach at such time of the provisions of this Section 3.5, then the indemnified party shall not be obligated to obtain such prior written consent of the indemnifying party) at the reasonable cost and expense of the indemnifying party (which shall be paid by the indemnifying party promptly upon presentation by the indemnified party of invoices or other documentation evidencing the amounts to be indemnified). In addition to the foregoing, no indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which the indemnified party could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability arising out of such claim or proceeding.

(c) If the indemnification provided for in this Section 3.5 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless from any Losses in respect of which this Section 3.5 would otherwise apply by its terms (other than by reason of exceptions provided herein), then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have a joint and several obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative benefits received by and fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the offering to which such contribution relates as well as any other relevant equitable considerations. The relative benefit shall be determined by reference to, among other things, the amount of proceeds received by each party from the offering to which such contribution relates. The relative fault shall be determined by reference to, among other things, each party's relative knowledge and access to information concerning the matter with respect to which the claim was asserted, and the opportunity to correct and prevent any statement or omission.

The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses incurred by such party in connection with any investigation or proceeding, to the extent such party would have been indemnified for such expenses if the indemnification provided for in this Section 3.5 was available to such party.

(d) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3.5 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

3.6. Rule 144. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Stockholder, make publicly available other information), and it will take such further action as any Stockholder may reasonably request, all to the extent required from time to time to enable such Stockholder to sell Subject Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Stockholder, the Company will deliver to such Stockholder a written statement as to whether it has complied with such requirements.

3.7. Holdback Agreement. The Company agrees that it and its Affiliates will not effect any sale, offer for sale, or grant any option to purchase any shares of common stock (or securities convertible into or exchangeable or exercisable for common stock) (collectively, "SALES") during the 10-day period prior to, and the 90-day period (or such longer period, not to exceed 120 days, as the managing underwriter(s) therefor determines) beginning on the effective date of a registration statement filed pursuant to Section 3.1 without the consent of such managing underwriter(s). The Shareholders agree not to effect any Sales during the 10-day period prior to, and the 90-day period (or such longer period, not to exceed 120 days, as the managing underwriter(s) therefor determines) beginning on the effective date of a registration statement relating to a primary offering (other than one described in clauses (i), (ii) or
(iii) of the first sentence of Section 3.2 hereof) without the consent of such managing underwriter(s); provided that this sentence shall be of no force and effect if the Company effects a Sale or

files any registration statement for the benefit of any other party during such 120-day period.

IV.

REPRESENTATIONS AND WARRANTIES

4.1. Representations and Warranties of the Company. The Company hereby represents and warrants to each of the Shareholders as follows:

(a) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement are within its corporate powers and have been duly authorized by all necessary corporate action on its part. This Agreement constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, (i) except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(b) The execution, delivery and performance of this Agreement by the Company does not and will not contravene or conflict with or constitute a default under the Company's Memorandum of Association or Bye-laws or any of its material Contracts.

(c) Immediately after giving effect to both the Restructuring and the Distribution (including, without limitation, after giving effect to the distribution of shares of Spinco Common Stock to the holders of common stock of Loral and the holders of options with respect to common stock of Loral, who or which may be entitled to receive shares of Spinco Common Stock pursuant to or in connection with the Distribution Agreement, the Merger Agreement or otherwise),
(i) the Company's authorized capital stock shall consist of 750,000,000 shares of Spinco Common Stock, 150,000,000 shares of Preferred Stock and 750,000 shares of Series B Preferred Stock, par value $.01 per share (the "Series B Preferred Stock"), of which 183,587,910 shares of Spinco Common Stock and 45,896,978 shares of Preferred Stock shall be issued and outstanding and no shares of Series B Preferred Stock shall be issued and outstanding, (ii) Loral will be the record and beneficial owner of 45,896,978 shares of Preferred Stock, all of which will be validly issued and fully paid and nonassessable and all of which will be free of all Liens, (iii) except for the shares of Spinco Common Stock, the

shares of Preferred Stock and the Series B Preferred Stock specified in clause
(i) above, there will be no other Equity Securities, and (iv) the Wing Shareholders will hold, in the aggregate, at least twenty percent (20%) of the Total Voting Power.

V.

TERM

5.1. Term. The term (the "TERM") of this Agreement shall commence on the date hereof and shall continue until the earlier of (x) the date on which the Voting Power of the Equity Securities, on a fully diluted basis, beneficially owned by Loral and its Affiliates shall represent less than five percent (5%) of the Total Voting Power, (y) the tenth anniversary of the date hereof, or (z) a Change of Control (as defined in Section 1.1 (c) above). Upon expiration of the Term, the provisions of this Agreement shall terminate, and be of no further force or effect, automatically without any further action on the part of any parties hereto; provided that the provisions of Articles III and VI shall continue without regard to the term limitation set forth in this sentence; provided further that no such termination shall relieve any party of any liability to the other parties hereto, to the extent such liability is incurred prior to the expiration of the Term.

VI.

MISCELLANEOUS

6.1. Certain Restrictions. The Company shall not take or recommend to its Shareholders any action, including any amendment of its Memorandum of Association, Bye-laws or stockholder rights plan, if any, which would impose restrictions applicable to Loral and not to other securityholders generally based upon the size of Loral' security holdings, the business in which it is engaged or other considerations applicable to it and not to securityholders generally. In addition, the Company shall not take or recommend to its Shareholders any action, including any amendment of its Certificate of Incorporation, By-laws or stockholder rights plan, if any, which would likely adversely affect in any material respect, either directly or indirectly, any of the rights or obligations of the Shareholders under the provisions of this Agreement.

The Shareholders agree that the Company may adopt a Shareholders rights plan similar to the Shareholders rights plan adopted by Loral except that Loral (and its Affiliates and associates) shall not be deemed to be an "ACQUIRING PERSON" unless Loral and its Affiliates become the beneficial owner of

25% or more of the outstanding shares of common stock of the Company.

6.2. Entire Agreement. This Agreement and the Restructuring Agreement (including the schedules and exhibits and the agreements and other documents referred to therein, including, without limitation, the Tax Sharing Agreement and the Transition Services Agreements) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof.

6.3. Fees and Expenses. Except as otherwise provided in this Agreement, all costs and expenses incurred by the Shareholders and the Company in connection with consummating such party's obligations hereunder or otherwise shall be paid by the party incurring such cost or expense.

6.4. Access to Information. During the Term, the Company shall provide to each Stockholder reasonable access to the books and records of the Company and its subsidiaries during the regular business hours of the Company and such subsidiaries, following the Company's receipt of a written notice from such Stockholder requesting such access; provided that the Company shall not be required to provide any confidential information if the Company reasonably determines that the providing of such information would result in (x) a violation of applicable antitrust laws or (y) create a substantial likelihood of a significant adverse effect on the Company; provided, further, that the Stockholder shall keep confidential any confidential information disclosed to it except as required by law, service of process, interrogatories, or similar legal process, and except for any such information which becomes publicly available through no fault of the Stockholder.

6.5. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF (EXCEPT IN THOSE CIRCUMSTANCES WHERE THE CORPORATE LAW OF THE COMPANY'S JURISDICTION OF ORGANIZATION REQUIRES THE APPLICATION OF THE LAW OF THE COMPANY'S JURISDICTION OF ORGANIZATION WITH RESPECT TO A PARTICULAR MATTER).

6.6. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand or (c) the expiration of five Business Days after the day when mailed by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to any of the Shareholders, to:

Loral Corporation c/o Lockheed Martin Corporation 6801 Rockledge Drive Bethesda, MD 20817 Telephone: (301) 897-6125 Telecopy No.: (301) 897-6333 Attention: General Counsel

and to:

Skadden, Arps, Slate, Meagher & Flom 919 Third Avenue New York, New York 10022 Telephone: (212) 735-3000 Telecopy No.: (212) 735-2000 Attention: Peter Allan Atkins, Esq.

Lou R. Kling, Esq.

and to:

O'Melveny & Myers
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 326-2000
Telecopy No.: (212) 326-2160
Attention: C. Douglas Kranwinkle, Esq.
Jeffrey J. Rosen, Esq.

If to the Company, to:

Loral Space & Communications Corporation
600 Third Avenue
New York, New York
Telephone: (212) 697-1105
Telecopy No.: (212) 602-9805
Attention: General Counsel

with a copy to:

Willkie Farr & Gallagher
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 821-8000
Telecopy No.: (212) 821-8111
Attention: Robert B. Hodes, Esq.
Bruce R. Kraus, Esq.

In addition to providing any notice required to be given by the Company pursuant to its Certificate of Incorporation in the manner specified therein, the Company shall send to each

Stockholder by telecopy in accordance with this Section 6.6 a copy of each such notice.

6.7. Successors and Assigns; Reclassifications; No Third Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto (which consent may not be unreasonably withheld), except that any party shall have the right, without the consent of any other party hereto, to assign all or a portion of its rights, interests and obligations hereunder to one or more direct or indirect subsidiaries, but no such assignment of obligation shall relieve the assigning party from its responsibility therefor. In the event of any recapitalization or reclassification of any Equity Securities, or any merger, consolidation or other transaction with like effect, the securities issued in replacement or exchange for such Equity Securities shall be deemed Equity Securities hereunder. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement; provided that the indemnified parties referred to in
Section 3.5 hereof are intended to be third party beneficiaries of the provisions of Section 3.5 hereof, and shall have the right to enforce such provisions as if they were parties hereto.

6.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.9. Further Assurances. Each party hereto or person subject hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto or person subject hereto may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

6.10. Interpretation. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. Unless otherwise specified in this Agreement, all references in this Agreement to "DAYS" shall be deemed to be references to calendar days.

6.11. Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

6.12. Consent to Jurisdiction. Each of the parties hereto irrevocably and unconditionally (a) agrees that all suits, actions or other legal proceedings arising out of this Agreement or any of the transactions contemplated hereby (a "SUIT") shall be brought and adjudicated solely in the United States District Court for the District of Delaware, or, if such court will not accept jurisdiction, in the Delaware Chancery Court or any court of competent civil jurisdiction sitting in New Castle County, Delaware, (b) submits to the non-exclusive jurisdiction of any such court for the purpose of any such Suit and (c) waives and agrees not to assert by way of motion, as a defense or otherwise in any such Suit, any claims that it is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper. Each of the parties hereto also irrevocably and unconditionally consents to the service of any process, summons, pleadings, notices or other papers in a manner permitted by the notice provisions of Section 6.6 hereof and agrees that any such form of service shall be effective in connection with any such Suit; provided that nothing contained in this Section 6.12 shall affect the right of any party to serve process, pleadings, notices or other papers in any other manner permitted by applicable Law.

6.13. Specific Performance. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to compel specific performance of this Agreement in any action instituted in any court referred to in Section 6.12 hereof.

IN WITNESS WHEREOF, each of the parties has caused this Shareholders Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

LORAL CORPORATION (to be
renamed Lockheed Martin
Tactical Systems, Inc.)

By: /s/ Stephen M. Piper

Name: Stephen M. Piper
Title: Vice President and
Assistant Treasurer

LORAL SPACE & COMMUNICATIONS
LTD.

By: /s/ Eric J. Zahler

Name: Eric J. Zahler
Title: Vice President, General
Counsel & Secretary

EXHIBIT 10.4

STOCKHOLDERS AGREEMENT

DATED AS OF APRIL 22, 1996

By and Among

LORAL SPACE & COMMUNICATIONS LTD.,

SS/L (BERMUDA) LTD.,

LEHMAN BROTHERS CAPITAL PARTNERS II, L.P.,

LEHMAN BROTHERS
MERCHANT BANKING PORTFOLIO PARTNERSHIP L.P.,

LEHMAN BROTHERS OFFSHORE INVESTMENT PARTNERSHIP L.P.,

and

LEHMAN BROTHERS OFFSHORE INVESTMENT
PARTNERSHIP-JAPAN L.P.

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Exhibit A - Form of Schedule I to the By-Laws of SS/L (Bermuda) Ltd.

Exhibit B - Form of Agreement to be Bound

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT dated as of April 22, 1996 by and among SS/L (Bermuda) Ltd., a Bermuda company (together with its successors, the "Company"), Loral Space & Communications Ltd., a Bermuda company (together with its successors, "Loral Space"), Lehman Brothers Capital Partners II, L.P. ("Capital Partners"), Lehman Brothers Merchant Banking Portfolio Partnership L.P. ("Merchant Banking"), Lehman Brothers Offshore Investment Partnership L.P. ("Offshore Investment") and Lehman Brothers Offshore Investment Partnership-Japan, L.P. ("Offshore Japan"). Capital Partners, Merchant Banking, Offshore Investment and Offshore Japan are sometimes hereinafter referred to collectively as the "Lehman Partnerships". Each of the parties to this Agreement (including, with respect to its ownership of SS/L Common Stock (as defined below), the Company) and any other Person who shall become a party to or agree to be bound by the terms of this Agreement after the date hereof is sometimes hereinafter referred to as a "Stockholder".

W I T N E S S E T H:

WHEREAS, the parties hereto are parties to an Agreement dated as of April 22, 1996 (the "Transaction Agreement") providing, among other things, for the exchange by Loral Aerospace Holdings, Inc. a Delaware corporation ("LAH"), of 731.85 shares of SS/L Common Stock held by LAH for 731.85 shares of Series S Preferred Stock (as defined below) of the Company and for the exchange by the Lehman Partnerships of 731.85 shares of Series S Redeemable Preferred Stock of LAH owned by the Lehman Partnerships for 731.85 shares of Series S Preferred Stock of the Company;

WHEREAS, as of the date hereof, the Company has authorized capital stock consisting of 1,000,000 shares of Common Stock, par value $.10 per share (the "Common Stock"), and 1,000 shares of preferred stock, par value $.10 per share (the "Preferred Stock") (all shares of Common Stock and Preferred Stock at any time issued by the Company and any successor thereto being referred to as the "Shares");

WHEREAS, the parties hereto desire to restrict the sale, assignment, transfer, encumbrance or other disposition of the Shares and SS/L Common Stock, including both issued and outstanding Shares and SS/L Common Stock as well as Shares and SS/L Common Stock which may be issued hereafter, and to provide for certain rights and obligations in respect thereto as hereinafter provided;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms have the following meanings:

"Adverse Clearance Status" shall have the meaning set forth in Section 2.10.

"Affiliate", as applied to any Person, shall mean any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person whether through the ownership of voting securities, by contract or otherwise.

"Alternative Investment Bank" shall have the meaning set forth in
Section 2.9(c).

"Associated SS/L Shares" shall mean the shares of SS/L Common Stock associated with shares of Series S Preferred Stock, as set forth in Schedule I to the Company's By-Laws. For purposes of Section 5.7, "Associated SS/L Shares" shall mean the shares of SS/L Common Stock (i) associated, during or subsequent to the Exchange Transaction, with shares of the Series S Preferred Stock, as set forth in Schedule I to the Company's By-Laws, and (ii) associated, during or prior to the Exchange Transaction, with shares of LAH Series S Preferred Stock, as set forth in the Certificate of Designation of such Stock.

"August 1992 Exchange" shall mean the exchange on August 14, 1992 by the Lehman Partnerships of 6,150,000 shares of the Common Stock of Loral for 285,187.4 shares of the Class B Common Stock of LAH.

"Business Day" means each day other than Saturdays, Sundays and days when commercial banks are authorized to be closed for business in New York, New York.

"Buyer's Notice" shall have the meaning set forth in Section 2.5 (c).

"Change of Control" shall mean the occurrence of one or more of the following events: (A) with respect to Loral Space, (i) a Person or group (as that term is used in Section 13(d)(3)

of the Exchange Act) of Persons shall have become the beneficial owner of securities of Loral Space representing a majority of the combined voting power of the outstanding securities of Loral Space ordinarily having the right to vote in the election of directors or (ii) directors (other than Continuing Directors) representing a Person or group (as so defined) of Persons shall constitute a majority of the Board of Directors of Loral Space or (iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Loral Space to any Person or group (as so defined) of Persons (other than any wholly-owned Subsidiary of Loral Space); (B) with respect to the Company or SS/L, as the case may be, (i) a Person or group (as that term is used in Section 13(d)(3) of the Exchange Act) of Persons (other than Loral Space in the case of the Company and the Company in the case of SS/L) shall have the right to exercise a majority of the combined voting power of the outstanding securities of the Company or SS/L, as the case may be, ordinarily having the right to vote in the election of directors or (ii) directors representing a Person or group (as so defined) of Persons (other than Loral Space in the case of the Company and the Company in the case of SS/L) shall constitute a majority of the Board of Directors of the Company or SS/L, as the case may be; (C) with respect to Loral Space, the Company or SS/L, as the case may be, (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of Loral Space, the Company or SS/L, as the case may be, to any Person or group (as so defined) of Persons or (ii) the shareholders of Loral Space, the Company or SS/L, as the case may be, shall approve any plan or proposal for the liquidation or dissolution of Loral Space, the Company or SS/L, as the case may be, or the liquidation, dissolution or winding-up of Loral Space, the Company or SS/L shall be ordered, (D) an event which constitutes a "Change of Control" under the SP Stockholders Agreement as the same may be amended from time to time (provided that references to Loral in the definition of "Change of Control" in the SP Stockholders Agreement shall be deemed, for purposes of this Agreement, to refer to Loral Space), or (E) the Company shall cease to be a Subsidiary of Loral Space.

"Charter Documents" shall have the meaning set forth in Section 5.1(a).

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" shall mean the Securities and Exchange Commission.

"Common Stock" shall have the meaning set forth in the preamble.

"Company" shall have the meaning set forth in the preamble.

"Compelled Sale Transfer Notice" shall have the meaning set forth in Section 2.8(b).

"Compelled Sale Transfer Offer" shall have the meaning set forth in Section 2.8(a).

"Confidential Information" shall have the meaning set forth in Section 7.13.

"Continuing Directors" shall mean those Directors of Loral Space as of the date hereof (the "Current Board") or such Directors who are recommended or endorsed for election to the Board of Directors of Loral Space by a majority of the Current Board or their successors so recommended or endorsed.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Stockholder" shall have the meaning set forth in Section 2.8(c).

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exchange Transaction" shall have the meaning set forth in the Transaction Agreement.

"First Investment Bank" shall have the meaning set forth in Section 2.9(c).

"FOCI" shall have the meaning set forth in Section 2.10.

"Funding Date" shall have the meaning set forth in Section 4.4(a).

"Initial Public Offering" shall mean, with respect to any Person, the initial sale of equity securities by such Person pursuant to an effective registration statement under the Securities Act (other than a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of such Person).

"LAH Series S Preferred Stock" shall mean the Series S Redeemable Preferred Stock of LAH, the terms of which are set forth in the Certificate of Designation for such stock.

"LBH" shall mean Lehman Brothers Holdings Inc., a Delaware corporation, or any successor.

"LAC" shall mean Loral Aerospace Corp., a Delaware corporation.

"LAH" shall have the meaning set forth in the preamble.

"Lehman Indemnitees" shall have the meaning set forth in Section 5.7(a).

"Lehman Investor" shall mean each of the Lehman Partnerships and its Permitted Transferees.

"Lehman Partnerships" shall have the meaning set forth in the preamble.

"Loral" shall mean Loral Corporation, a New York corporation.

"Loral Space" shall have the meaning set forth in the preamble.

"Material Action" shall have the meaning set forth in Section 5.2.

"Material Action Put Notice" shall have the meaning set forth in
Section 5.4.

"1992 Lehman Stockholders Agreement" shall mean the Stockholders Agreement dated as of November 13, 1992 by and among LAH, LAC, Loral and the Lehman Partnerships.

"Notice of Material Event" shall have the meaning set forth in
Section 5.3.

"Notice of Proposed Action" shall have the meaning set forth in
Section 5.3.

"November 1992 Exchange" shall mean the exchange on November 13, 1992 by the Lehman Partnerships of 107,737.5 shares of the Class B Common Stock of LAH for 627.3 shares of the LAH Series S Preferred Stock.

"Offer Price" shall have the meaning set forth in Section 2.5(b).

"Offered Shares" shall have the meaning set forth in Section 2.5(b).

"Other Compelled Sale Notice" shall have the meaning set forth in
Section 2.9(g).

"Permitted Transferee" shall mean (i) in the case of any Stockholder that is not an individual, any Affiliate thereof; and, in addition, (ii) in the case of each Lehman Partnership, (A) LBH and its Affiliates and (B) the general or limited partners of such Lehman Partnership in a dissolution, winding up or termination of such partnership; provided, that any such Transferee agrees in writing that such Transferee shall be bound

by the terms of this Agreement in accordance with section 2.2 hereof.

"Person" shall mean an individual or a corporation, partnership, trust, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" shall have the meaning set forth in the preamble.

"Proposed Purchaser" shall mean a Person or group of Persons to which the Company or any of its Permitted Transferees proposes to Transfer shares of SS/L Common Stock in accordance with Section 2.7(a).

"Public Offering" shall mean, with respect to the Company or SS/L, any underwritten public offering of equity securities of the Company or SS/L, as the case may be, pursuant to an effective registration statement under the Securities Act.

"Put Notice" shall have the meaning set forth in Section 2.9(a).

"Put Option" shall have the meaning set forth in Section 2.9(a).

"Qualified Third-Party" shall mean a Third Party whose status as a holder of SS/L Common Stock or whose acquisition of SS/L Common Stock would not be expected, in the reasonable judgment of the Board of Directors of Loral Space after (i) consultation with such Third Party and the potential seller of Associated SS/L Shares to such Third Party and (ii) if requested by such Third Party, discussions with appropriate representatives of the Department of Defense involving Loral Space, such Third Party and such potential seller, to cause or require the Department of Defense to revoke SS/L's facility clearances in accordance with such Department's security rules and regulations (as determined by the Defense investigative Service).

"Reduced Transfer Price" shall have the meaning set forth in Section 2.5(d).

"Reduced Transfer Price Notice" shall have the meaning set forth in
Section 2.5(d).

"Relevant Time Period" shall have the meaning set forth in Section 2.5(d).

"Remaining Holders" shall have the meaning set forth in Section 2-9(g).

"Required SP Transfer" shall mean any sale of SS/L common Stock to a Strategic Participant required under the

provisions of Section 2.6 or 2.7 of the SP Stockholders Agreement as in effect on the date hereof.

"Rule 144 Open Market Transaction" shall mean, with respect to Shares, any sale of Shares in an open market transaction under Rule 144 of the Securities Act (or any successor rule) if such sale is in compliance with the requirements of such Rule.

"Schedule I to the Company's By-Laws" shall mean Schedule I to the Company's By-Laws setting forth the terms of the Series S, Preferred Stock, a copy of which is attached as Exhibit A hereto.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Sellers" shall have the meaning set forth in Section 2.5(b).

"Sellers' Notice" shall have the meaning set forth in Section 2.5(b).

"Series S Preferred Stock" shall mean the Series S Redeemable Preferred Stock of the Company, the terms of which are set forth in Schedule I to the Company's By-Laws.

"Shares" shall have the meaning set forth in the preamble.

"SP Stockholders Agreement" shall mean the Stockholders Agreement dated as of April 22, 1991, as amended by Amendment No. 1 thereto dated as of November 10, 1992, among Loral, LAH, SS/L and the Strategic Participants, and by Amendment No. 2 thereto dated on or about the date hereof and as the same may be further amended from time to time.

"Special Put Notice" shall have the meaning set forth in Section 2.10.

"SS/L" shall mean Space Systems/Loral, Inc., a Delaware corporation, together with its successors.

"SS/L Appraised Value" shall have the meaning set forth in Section 2.9(b).

"SS/L Common Stock" shall mean the Common Stock, par value $0.10 per share, of SS/L.

"Stockholder" shall have the meaning set forth in the preamble.

"Strategic Participants" shall mean Aerospatiale Societe Nationale Industrielle, Alcatel Espace, Alenia Aeritalia

& Selenia S.p.A., Deutsche Aerospace AG and all other Persons who become Strategic Participants under the SP Stockholders Agreement, their successors and duly permitted transferees of SS/L Common Stock under the SP Stockholders Agreement, including any SP U.S. Assignee (as such term is defined in the SP Stockholders Agreement).

"Subsidiary" shall mean, with respect to any Person, any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Tag-Along Notice" shall have the meaning, set forth in Section 2.7(b).

"Tag-Along Stockholder" shall have the meaning set forth in Section 2.7(b).

"Tax" shall mean any net income, alternative, add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, corporation, metropolitan and other municipal surcharge, profits, license, withholding on amounts paid to or by any Person, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or like charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental authority responsible for the imposition of any such tax (domestic or foreign).

"Taxing Authority" shall mean any governmental authority (whether domestic or foreign) responsible for the imposition of Taxes, including, without limitation, the United States internal Revenue service, United States state and local taxing authorities, and the taxing authorities of Bermuda.

"Third Party" shall mean any prospective purchaser of Shares that is not a Permitted Transferee of a Stockholder in an arm's length purchase from such Stockholder.

"Transaction Agreement" shall have the meaning set forth in the preamble.

"Transfer" shall have the meaning set forth in Section 2.1.

"Transfer Closing Date" shall have the meaning set forth in Section 3.1.

"Transferee" shall have the meaning set forth in Section 2.1.

"Transferor" shall have the meaning set forth in Section 2.7(b).

"Unaffiliated Transaction, shall have the meaning set forth in Section 4.4(b).

ARTICLE II.

RESTRICTIONS ON TRANSFERS

Section 2.1. Transfers in Accordance with this Agreement. No Stockholder shall, directly or indirectly transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of any Shares or shares of SS/L Common Stock to any Person (any such act by a Stockholder being referred to as a "Transfer" and any Person acquiring Shares or shares of SS/L Common Stock from a Stockholder and any subsequent transferee of any such Person being referred to as a "Transferee" of such Stockholder), except in compliance with the Securities Act, applicable state and foreign securities laws and this Agreement; provided that nothing in this Agreement shall prohibit any Required SP Transfer. Any attempt to Transfer any Shares or shares of SS/L Common Stock not in compliance with this Agreement" shall be null and void and the Company shall not, and shall ensure that neither SS/L nor any transfer agent shall, register upon its books any Transfer of Shares or shares of SS/L Common Stock, as the case may be, by a Stockholder to any Person except a Transfer in accordance with this Agreement or a Required SP Transfer.

Section 2.2. Agreement to be Bound. No Transfer of Shares or shares of SS/L Common Stock (other than Transfers pursuant to a Public Offering, pursuant to Rule 144 Open Market Transactions, to the Company, or a Required SP Transfer) shall be effective unless (i) the certificates representing such Shares or shares of SS/L Common Stock issued to the Transferee shall bear the legend provided in Section 2.3, if required by such Section, (ii) the Transferee (if not already a party hereto) shall have executed and delivered to each other party hereto, as a condition precedent to such Transfer, an instrument or instruments substantially in the form of Exhibit B hereto or otherwise reasonably satisfactory to such parties confirming that the Transferee agrees to be bound by the terms of this Agreement and (iii) in the case of a Transfer of SS/L Common Stock, the Transferee is a Qualified Third Party.

Section 2.3. Legend. A copy of this Agreement shall be filed with the Secretary of the Company and the Secretary of SS/L and kept with the records of each of the Company and SS/L. Each of the Stockholders hereby agrees that each outstanding certificate representing Shares or shares of SS/L Common Stock issued to any Stockholder, any certificate for Shares issued in

exchange for any similarly legended certificate, or any certificate for SS/L Common Stock issued to a Stockholder in exchange for any similarly legended certificate, shall, unless sold pursuant to a Public Offering or pursuant to a Rule 144 Open Market Transaction, bear a legend reading substantially as follows:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AM MAY BE OFFERED AND SOLD ONLY IF SO REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THE SHARES REPRESENTED BY THIS CERTIFICATE ALSO ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCKHOLDERS AGREEMENT OF SS/L (BERMUDA) LTD. DATED AS OF APRIL 22, 1996, COPIES OF WHICH MAY BE OBTAINED FROM THE COMPANY. NO TRANSFER OF SUCH SHARES WILL BE MADE ON THE BOOKS OF THE COMPANY UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH THE TERMS OF SUCH AGREEMENT.

Section 2.4. Certain Permitted Transfers. None of the restrictions contained in this Agreement with respect to Transfers of Shares or shares of SS/L Common Stock (other than those set forth in Section 2.3, if required by such Section and the requirement of compliance with applicable law) shall apply to any Transfer:

(i) at any time, by any Stockholder to any of its Permitted Transferees, except for any such Transfer that would result in a requirement to register the Shares or shares of SS/L Common Stock under Section 12(g) of the Securities Exchange Act of 1934, as amended;

(ii) at any time, by any Stockholder to the company;

(iii) pursuant to a Public Offering;

(iv) pursuant to Rule 144 Open Market Transactions following an Initial Public Offering; and

(v) at any time following an Initial Public Offering, of Shares or shares of SS/L Common Stock, as the case may be, acquired in connection with market-making, broker/dealer, investment banking, capital markets or investment management activities in the ordinary course of business.

Section 2.5. Transfers by Lehman Investors to Third Parties; Rights of First Offer. (a) The Lehman Investors may not Transfer shares of Series S Preferred Stock, or cause the

Company to Transfer Associated SS/L Shares, prior to October 23, 1993, except as otherwise permitted pursuant to Section 2.4. Commencing on October 23, 1993, the Lehman Investors may Transfer shares of Series S Preferred Stock, or cause the Company to Transfer Associated SS/L Shares, to any Third Party, subject to the provisions, first, of this Section 2.5 and second, to the extent applicable, of Section 2.12.

(b) Lehman Investors (the "Sellers") desiring to Transfer any shares of Series S Preferred Stock (or to cause the Company to Transfer any underlying Associated SS/L Shares) then owned by such Lehman Investors to any Third Party shall give written notice (a "Sellers' Notice") to Loral Space (i) stating that such Sellers desire to make such Transfer, and (ii) setting forth the number of shares of Series S Preferred Stock (or Associated SS/L Shares) proposed to be Transferred (together, the "Offered Shares") and the cash price per share that such Sellers propose to be paid for such Offered Shares (the "Offer Price") and the other terms and conditions of such Transfer. Each Sellers' Notice shall constitute an irrevocable offer by the Sellers to Loral Space of the Offered Shares at the Offer Price in cash.

(c) Within 10 days after receipt of a Sellers' Notice, Loral Space may elect to purchase all (but not less than all) of the Offered Shares at the Offer Price in cash by delivery of a notice (a "Buyer's Notice") to the Sellers, with a copy to the Company, stating (i) that Loral Space elects to purchase all of the Offered Shares at the Offer Price in cash, (ii) that such election is irrevocable and (iii) the source of financing for such purchase. Delivery of a Buyer's Notice shall constitute a contract among the Sellers and Loral Space for the sale and purchase of the Offered Shares at the Offer Price in cash and upon the other applicable terms and conditions set forth in the Sellers' Notice.

(d) If Loral Space fails to elect to purchase all of the Offered Shares within the time period specified in Section 2.5(c), then the Sellers may, within the Relevant Time Period (but subject, in the case of any proposed Transfer of Associated SS/L shares, to Section 2.12), Transfer (or enter into an agreement to Transfer) all or any Offered Shares to one or more Third Parties; provided that if the purchase price per share (the "Reduced Transfer Price") to be paid by any such Third Party for Offered Shares is less than 90% of the Offer Price, the Sellers shall promptly provide written notice (the "Reduced Transfer Price Notice") to Loral Space of such intended Transfer (including the material terms and conditions thereof) and Loral Space shall have the right, exercisable by delivery of a written election notice to the Sellers within five days of receipt of such notice, to purchase such Offered Shares at the Reduced Transfer Price and otherwise in accordance with the terms and conditions of the intended Transfer to such Third Party.

"Relevant Time Period" shall mean (i) with respect to Series S Preferred Stock, a period of 120 days following the expiration of the time period specified in Section 2.S(c) and (ii) with respect to Associated SS/L Shares, a period of 120 days beginning 45 days after the expiration of the time period specified in Section 2.5(c).

(e) If Loral Space fails to elect to purchase the Offered Shares at the Offer Price (or, if applicable, the Reduced Transfer Price) in cash and the Seller shall not have Transferred or entered into an agreement to Transfer the Offered Shares to any Transferee prior to the expiration of the 120 day period specified in Section 2.5(d), the rights of first offer under this
Section 2.5 shall again apply, subject to the provisions of Section 2.5(f), in connection with any subsequent Transfer or offer to Transfer shares of Series S Preferred Stock (or Associated SS/L Shares) by such Sellers or, in the case of Associated SS/L Shares, by the Company.

(f) If any Lehman Investor shall exercise its rights under this
Section 2.5 by delivery of a Seller's Notice, no Lehman Investor shall be permitted to commence a further first offer procedure under this Section 2.5 until the expiration of one year from the later of the date of (x) such Seller's Notice and (y) the applicable Reduced Transfer Price Notice.

(g) Shares of Series S Preferred Stock (or Associated SS/L Shares) held by Third Party Transferees (other than the Strategic Participants) of Offered Shares pursuant to this Section 2.5 shall be subject to the provisions of this Section 2.5, but shall not be subject to the provisions of Section 2.8.

Section 2.6. Public Offering. The Company shall not effect, and shall not permit SS/L to effect, and Loral Space shall not permit the Company or SS/L to effect, any Public Offering unless the holders of at least a majority of the shares of Series S Preferred Stock then held by the Lehman Partnerships shall have given their prior written consent to such Public Offering.

Section 2.7. Tag-Along Rights. (a) Except for Required SP Transfers, the Company and its Permitted Transferees may not Transfer shares of SS/L Common Stock on or prior to October 23, 1993. Thereafter, if, at any time, the Company or any of its Permitted Transferees proposes to Transfer shares of SS/L Common Stock to any Proposed Purchaser in any transaction or series of related or similar transactions (other than (x) sales pursuant to a Public Offering and
(y) Transfers to Permitted Transferees), the Company or any such Permitted Transferee shall afford each of the Lehman Investors the opportunity to participate proportionately in such Transfer in accordance with this Section 2.7.

(b) Each Lehman Investor, with respect to proposed Transfers described in paragraph (a) above (each, a "Tag-Along Stockholder"), shall have the right to cause the Company to Transfer, at the same price and upon identical terms and conditions as such proposed Transfer, the number of Associated SS/L Shares owned indirectly (by virtue of ownership of Series S Preferred Stock) by such Tag-Along Stockholder equal to (x) the total number of shares of SS/L Common Stock to be Transferred multiplied by (y) a fraction, the numerator of which is the total number of Associated SS/L Shares then owned indirectly by such Tag-Along Stockholder and the denominator of which is the total number of Associated SS/L Shares then owned indirectly by the Lehman Investors plus the total number of shares of SS/L Common Stock then owned by the Company and its Permitted Transferees.

At the time of any proposed Transfer to a Proposed Purchaser, the Company or such Permitted Transferee (each, a "Transferor") shall give notice to each Tag-Along Stockholder of its right to sell (the "Tag-Along Notice") which notice shall identify the Proposed Purchaser and state the number of shares of SS/L Common Stock proposed to be Transferred, the proposed offering price and any other material terms and conditions of the proposed Transfer. The Tag-Along Notice shall also contain a true and correct copy of any offer to the Transferor by the Proposed Purchaser to purchase such shares of SS/L Common Stock.

(c) Within 10 days after the date of delivery of a Tag-Along Notice, any of the Tag-Along Stockholders may elect to participate in such Transfer pursuant to the terms and conditions of such Tag-Along Notice by delivery of a notice to the Transferor. Each participating Tag-Along Stockholder shall not be required to make any representations and warranties to any Person in connection with such Transfer except as to good title of the Series S Preferred Stock applicable to the Associated SS/L Shares to be Transferred and as to the existence of such Tag-Along Stockholder and the authority for and the validity and binding effect of any agreements entered into by such Tag-Along Stockholder in connection with such Transfer, and the Tag-Along Stockholders shall not be required to provide any indemnities in connection with such Transfer except for breach of such representations and warranties. Upon consummation of any Transfer of Associated SS/L Shares contemplated by this Section 2.7, the Lehman Investors on whose behalf such Transfer is made shall deliver to the Company the certificates for the shares of Series S Preferred Stock corresponding to the Associated SS/L Shares Transferred against delivery to such Lehman Investors of the proceeds of any such Transfer in accordance with Schedule I to the Company's By-Laws.

Section 2.8. Rights to Compel Sale. (a) If at any time on or after October 23, 1993, the Company shall receive a written offer from a Third Party to acquire for cash all shares of SS/L Common Stock then held by the Company and its Permitted Transferees (each, a "Compelled Sale Transfer Offer"), the

Company shall have the right, exercisable as set forth below, but subject to Section 2.8(c) hereof, to require each of the Lehman Investors to permit the Company to sell all Associated SS/L Shares then held indirectly (by virtue of their ownership of Series S Preferred Stock) by such Lehman Investors to the Third Party, and the Lehman Investors shall permit the Company to sell such Associated SS/L Shares on the same terms and conditions and for the same consideration as the Company and its Permitted Transferees sell its or their shares of SS/L Common Stock; provided, that the per share purchase price payable for Associated SS/L Shares (except for the purchase price payable in any sale to a Strategic Participant pursuant to Section 2.7 of the SP Stockholders Agreement) shall in no event be less than $116,667 (as adjusted to reflect any stock dividend, stock split or similar event) compounded at a rate of 15% per annum from August 14, 1992 (in the case of the Associated SS/L Shares underlying 627.3 shares of Series S Preferred Stock) and from December 18, 1992 (in the case of the Associated SS/L Shares underlying 104.55 shares of Series S Preferred Stock) to and including the date of purchase by such Third Party; and provided, further, that no Lehman Investor shall be required to permit the Company to sell any Associated SS/L Shares to any such Third Party if such Lehman Investor shall determine in good faith that such sale could constitute a violation of applicable law or regulation or otherwise subject such Lehman Investor to any material liability.

(b) (i) The Company shall exercise its rights pursuant to Section 2.8(a) hereof by delivery of written notice (the "Compelled Sale Transfer Notice") to each Lehman Investor setting forth the consideration per share to be paid by the Third Party and attaching a copy of the Compelled Sale Transfer Offer.

(ii) Promptly after the consummation of the sale of SS/L Common Stock (including Associated SS/L Shares) pursuant to this Section 2.8, Loral Space shall give notice thereof to the Lehman Investors and shall furnish such other evidence of the completion and time of completion of such sale and the terms thereof as may be reasonably requested by such Lehman Investors. Upon consummation of any Transfer of Associated SS/L Shares contemplated by this Section 2.8, the Lehman Investors on whose behalf such Transfer is made shall deliver to the Company the certificates for the shares of Series S Preferred Stock corresponding to the Associated SS/L Shares Transferred against delivery to such Lehman Investors of the proceeds of any such Transfer in accordance with Schedule I to the Company's By-Laws.

(c) Notwithstanding the foregoing provisions of this Section 2.8, no Lehman Investor which is a trust under an employee benefit plan or whose holding of Series S Preferred Stock or indirect holding of Associated SS/L Shares constitutes plan assets subject to ERISA (an "ERISA Stockholder") shall be obligated to permit the Company to sell any Associated SS/L Shares pursuant to this Section 2.8 if such ERISA Stockholder

determines in good faith, upon advice of counsel, that such sale could constitute a prohibited or a party-in-interest transaction or would otherwise contravene ERISA and gives the Company notice thereof within 20 days after receiving a Compelled Sale Transfer Notice. Notwithstanding the foregoing provisions of this Section 2.8(c), such ERISA Stockholder shall, if requested by the Company, use reasonable efforts to obtain an appropriate exemption from any such ERISA restriction, and the Company and such ERISA Stockholder shall cooperate with each other in seeking to obtain such exemption; provided that none of them shall be required to take any action which it determines in good faith to be contrary to its best interests or would otherwise require the incurrence of material liability or expense.

Section 2.9. Put Option. (a) Commencing on the earlier of (i) a Change of Control, (ii) January 1, 1998, (iii) any election by any Strategic Participant to exercise its rights under Section 2.7 of the SP Stockholders Agreement as in effect on the date hereof as a result of the acquisition by Lockheed Martin Corporation of Loral pursuant to the Agreement and Plan of Merger dated as of January 7, 1996 among Loral, Lockheed Martin Corporation and LAC Acquisition Corporation, (iv) any amendment of the SP Stockholders Agreement that results in an adverse effect on the rights of the Lehman Investors that is disproportionate to any adverse effect on the interests of Loral Space resulting therefrom and (v) any event in which any Strategic Participant has the right, under the SP Stockholders Agreement, as the same may be amended from time to time, to cause SS/L or an Affiliate of SS/L to purchase the shares of SS/L Common Stock then held by such Strategic Participant, the Lehman Investors shall have the option, upon written notice to Loral Space (a "Put Notice") to require Loral Space to purchase (the "Put Option") all (but not less than all) of the shares of Series S Preferred Stock then held by the Lehman Investors at a purchase price per share in cash equal to SS/L Appraised Value.

(b) SS/L Appraised Value shall mean the fair market value, as of the date of the Put Notice, of the SS/L Common Stock, which value shall be determined as if SS/L and its interest in its Subsidiaries were to be sold in their entirety with a reasonable amount of time available to negotiate and consummate such sale; provided that such valuation shall exclude the effect of
(i) the event or action giving rise to the Put Notice, (ii) payment by SS/L or its Subsidiaries of any management fees to Loral Space (or any of its Affiliates) pursuant to the SP Stockholders Agreement or otherwise, (iii) any payment by SS/L or any of its Subsidiaries to Loral Space or any of its Affiliates in respect of corporate overhead in excess of the amounts paid by SS/L to Loral Space in accordance with Section 4.5(a) of the SP Stockholders Agreement, (iv) any contingent liabilities of SS/L or any Subsidiary of SS/L (determined in accordance with the Letter Agreement dated October 23, 1990 among LAH, LAC, SS/L, Loral and the Lehman Partnerships, as amended), (v) any payment by SS/L to Loral pursuant to the

final sentence of Section 3.2(b)(ii) of the SP Stockholders Agreement, (vi) any obligations of SS/L under Section 2.7 of the SP Stockholders Agreement and (vii) any restrictions, among other things, on the transfer or voting of SS/L Common Stock set forth in this Agreement or the SP Stockholders Agreement.

SS/L Appraised Value shall be determined on the basis of the accounting methods, practices and policies of SS/L as in effect on October 23, 1990, except for any change after such date required by reason of a concurrent change in generally accepted accounting principles.

(c) Subject to the next succeeding sentence, SS/L Appraised Value shall be determined jointly by LBH or a Subsidiary of LBH and a nationally recognized investment bank selected by Loral Space within two days of delivery of the Put Notice (the "First Investment Bank"). If LBH or such Subsidiary of LBH and the First investment Bank fail to agree on an SS/L Appraised Value within 15 days of delivery of the Put Notice, SS/L Appraised Value shall be determined by such nationally recognized investment bank as the Lehman Investors and Loral Space shall select jointly within 20 days of delivery of the Put Notice (the "Alternative Investment Bank"), provided that SS/L Appraised Value as determined by the Alternative Investment Bank shall be not greater than the highest SS/L Appraised Value determined by LBH or such Subsidiary of LBH and not less than the lowest SS/L Appraised Value determined by the First Investment Bank. Loral Space and the Lehman Investors shall use their best efforts to cause the determination of SS/L Appraised Value by the Alternative Investment Bank to be completed within 30 days of delivery of the Put Notice.

(d) The Company shall cause SS/L to cooperate with LBH or such Subsidiary of LBH, the First Investment Bank and any Alternative Investment Bank in connection with the determination of SS/L Appraised Value and to give LBH or such Subsidiary of LBH, the First Investment Bank and any Alternative Investment Bank access to the books, records and personnel of SS/L and its Subsidiaries (including all historical and projected financial and operating information reasonably necessary to determine Appraised Value) and the Company shall pay all fees and expenses of LBH (or such Subsidiary), the First Investment Bank and any Alternative Investment Bank incurred in connection with the determination of SS/L Appraised Value.

(e) Within 5 days following a Change of Control, Loral Space shall provide a notice to each Lehman Investor stating:

(i) that a Change of Control has occurred and that such Stockholder has the right to require Loral Space to purchase such Stockholder's Series S Preferred Stock at SS/L Appraised Value; and

(ii) the circumstance and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization of Loral Space, the Company or SS/L, as the case may be, after giving effect to such Change of Control).

The Lehman Investors may elect to exercise their rights under this Section 2.9 by delivery of a Put Notice to Loral Space at any time following a Change of Control or January 1, 1998, or the occurrence of the events described in clauses
(iii), (iv) or (v) of Section 2.9(a) as the case may be, provided that such right to deliver a Put Notice in respect of a Change of Control shall expire 60 days after receipt by the Lehman Investors of notice of such Change of Control pursuant to this Section 2.9(e).

(f) In addition to the right to require Loral Space to purchase all shares of Series S Preferred Stock then held by the Lehman Investors in accordance with the terms of this Section 2.9, the Put Option shall entitle the Lehman Investors to require Loral Space to purchase all other securities and assets (other than cash) distributed to the Lehman Investors in respect of the Associated SS/L Shares held (indirectly) by the Lehman Investors at the then fair market value of such other securities or assets. The fair market value of securities of SS/L shall be determined in accordance with the procedures set forth in Sections 2.9(b), (c) and (d), and the fair market value of any other property or assets shall be determined in accordance with the procedures set forth in Sections 2.9(c) and (d).

(g) In the event that Loral Space does not consummate the purchase of the Lehman Investors' Series S Preferred Stock in accordance with this Section 2.9 and Article III, the Lehman Investors may (i) Transfer their Series S Preferred Stock (and cause the Company to transfer any underlying Associated SS/L Shares) to one or more Third Parties (or Qualified Third Parties, in the case of any Transfer of Associated SS/L Shares) without regard to any of the restrictions contained in this Agreement with respect to Transfers of Series S Preferred Stock or (except for the restrictions in Section 2.12) Associated SS/L Shares and (ii) require each of the remaining Stockholders (the "Remaining Holders") to sell (subject to Section 2.12) all shares of SS/L Common Stock then held by such Remaining Holders to such Third Party or Qualified Third Party, as the case may be, and the Remaining Holders shall sell such shares of SS/L Common Stock on the same terms and conditions and for the same consideration as the Lehman Investors sell their shares of Series S Preferred Stock or the Company shall sell the underlying Associated SS/L Shares, as the case may be. The Lehman Investors shall exercise their rights pursuant to this Section 2.9(g)(ii) by delivery of written notice (the "Other Compelled Sale Notice") to each Remaining Holder setting forth the consideration per share to be paid by the Third Party or Third Parties and attaching a copy of any written offer received by the Lehman Investors in respect of such proposed sale. Promptly after the consummation of the sale

of the shares of SS/L Common Stock pursuant to this Section 2.9(g)(ii), the Lehman Investors shall give notice thereof to the Remaining Holders, shall remit to each of the Remaining Holders the total sales price of the shares of SS/L Common Stock of such Remaining Holders sold pursuant thereto, and shall furnish such other evidence of the completion and time of completion of such sale and the terms thereof as may be reasonably requested by such Remaining Holders. The Lehman Investors acknowledge and agree that their rights under this Section 2.9(g) are their sole and exclusive rights, and that they shall not have any further or other rights or remedies, in the event that Loral Space does not consummate the purchase of the Lehman Investors' Series S Preferred Stock in accordance with this Section 2.9 and Article III.

Section 2.10. Special Put Option. If (a) any of the Lehman Investors, the Company, Loral Space or SS/L receives notification from a representative of the Department of Defense or any other U.S. government department, agency or authority that the ownership of Shares by one or more of the Lehman Investors or the terms and provisions of this Agreement or the Charter Documents (i) causes the Company or SS/L to be under impermissible foreign ownership, control or influence within the meaning of Section 721 of Title VII of the Defense Production Act of 1950, as amended by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988 ("FOCI") or (ii) materially adversely affects the ability of SS/L to maintain or obtain Department of Defense or other U.S. government department, agency or authority security clearances of the level held by SS/L on the date hereof or which are necessary or desirable for SS/L to perform and to bid competitively on U.S. government contracts and to participate in joint ventures formed to bid on or perform U.S. government contracts of the type SS/L is eligible to bid on or participate in, respectively, on the date hereof (any of the matters described in this clause
(ii) being referred to as "Adverse Clearance Status"), and such FOCI or Adverse Clearance Status is not a result of a change in (A) the ownership of LBH or the Lehman Investors from the ownership thereof as it exists as of the date hereof (other than as a result of a public offering of equity securities of LBH or any of its Affiliates) or (B) applicable law, regulations and decrees as in effect as of the date hereof, the Lehman Investors may at any time, upon delivery of a written notice (a "Special Put Notice") to Loral Space, require Loral Space to purchase such portion of the Series S Preferred Stock then held by the Lehman Investors required to eliminate such FOCI or Adverse Clearance Status at a purchase price equal to the greater of (x) SS/L Appraised Value, as determined pursuant to the procedures set forth in Section 2.9 (except that references to "Put Notice" in Section 2.9 shall be deemed to be references to "Special Put Notice") and (y) $116,667 per share (as adjusted to reflect any stock dividend, stock split or similar event) compounded at a rate of 15% per annum from August 14, 1992 (in the case of the Associated SS/L Shares underlying 627.3 shares of Series S Preferred Stock) and from

December 18, 1992 (in the case of the Associated SS/L Shares underlying 104.55 shares of Series S Preferred Stock) to and including the date of purchase by Loral Space, provided, that prior to delivery of any Special Put Notice the Lehman Investors shall have complied with Section 4.3 hereof. The provisions of Section 2.9(f) shall apply to Loral Space upon the delivery of a Special Put Notice to the same extent as they apply upon the delivery of a Put Notice.

Section 2.11. Offering Memorandum. The Company will cooperate (and will cause SS/L to cooperate) with the Lehman Investors and make available on a timely basis, subject to appropriate confidentiality agreements, such information as the Lehman Investors may reasonably request to facilitate the Transfer of shares of Series S Preferred Stock or Associated SS/L Shares, as the case may be, to Third Parties pursuant to Section 2.5 hereof, including, in the case of any Transfer of Series S Preferred Stock or Associated SS/L Shares representing at least 5% of the issued and outstanding shares of SS/L Common Stock, (i) prompt preparation of an offering memorandum relating to the shares of Series S Preferred Stock or Associated SS/L Shares, as the case may be, the Company and SS/L that contains such information as is required by the Securities Act and other applicable laws and such other information reasonably requested by the Lehman Investors, and (ii) making available to any proposed purchaser of such Series S Preferred Stock or Associated SS/L Shares reasonable access to management of the Company, SS/L and their Subsidiaries. The Company shall represent and warrant to the selling Lehman Investors and any purchaser of such shares of Series S Preferred Stock or Associated SS/L Shares that the information provided by the Company or SS/L in connection with such sale (including the information in the offering memorandum) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and shall indemnify each of the selling Lehman investors, the purchaser and their representatives and agents from and against any loss, claim, damage, liability or expense incurred by any of them as a result of any breach of such representation and warranty.

Section 2.12. SP Stockholders Agreement. (a) The Lehman Investors acknowledge that Transfers by the Company of SS/L Common Stock are subject to the satisfaction of the provisions of Section 2.6 of the SP Stockholders Agreement, as such provisions are in effect on the date hereof, and that all shares of SS/L Common Stock, including without limitation the Associated SS/L Shares, are subject to all provisions of the SP Stockholders Agreement as in effect on the date hereof.

(b) In the event that the Lehman Investors elect to cause the Company to Transfer Associated SS/L Shares in accordance with the terms of this Agreement, Loral Space and the Company agree to take all action necessary or appropriate

(including, without limitation, delivery of required notices to the Strategic Participants) to permit the Company to sell Associated SS/L Shares on behalf of the Lehman Investors (if the Lehman Investors request that any such Shares be sold) in accordance with the terms of the SP Stockholders Agreement.

ARTICLE III.

CLOSING

Section 3.1. Closing. In connection with any purchase or sale of Series S Preferred Stock or Associated SS/L Shares pursuant to Article II involving any Stockholders and Loral Space, the parties to such transaction shall mutually determine a closing date (the "Transfer Closing Date") which, subject to any applicable regulatory waiting periods and except as otherwise provided in Article II, shall not be more than 15 days after the last notice is given with respect to such purchase or after the expiration of the last notice period applicable to such purchase. The closing shall be held at 10:00 a.m., local Lime, on the Transfer Closing Date at the principal office of the Company, or at such other time or place as the parties mutually agree.

Section 3.2. Deliveries at Closing; Method of Payment of Purchase Price. On the Transfer Closing Date, each selling Stockholder shall deliver (i) if shares of Series S Preferred Stock are to be sold, certificates representing such shares of Series S Preferred Stock being sold, free and clear of any lien, claim or encumbrance, and (ii) if shares of Series S Preferred Stock or SS/L Common Stock are to be sold, such other documents, including evidence of ownership and authority, as the purchasers may reasonably request. The purchase price shall be paid by wire transfer of immediately available funds no later than 2:00 P.M. on the Transfer Closing Date.

ARTICLE IV.

ADDITIONAL RIGHTS AND OBLIGATIONS OF STOCKHOLDERS AND THE COMPANY

Section 4.1. Investment Banking Services. The Company agrees to retain or employ, and to cause each of its Subsidiaries (other than SS/L and its Subsidiaries) to retain or employ, Lehman Brothers Inc. or one of its Affiliates as exclusive financial advisor or investment banker in connection with any financial, capital markets or acquisition or divestiture activities with respect to which the Company or any Subsidiary (other than SS/L and its Subsidiaries) determines to retain or employ a financial advisor or investment banker, in accordance with Lehman Brothers Inc.'s or such Affiliate's customary compensation and on other customary terms and conditions, so long

as the Lehman Investors own Series S Preferred stock representing 10% or more of the outstanding shares of SS/L Common Stock.

Section 4.2. Furnishing of Information. The Company agrees with each Lehman Partnership that for so long as such Lehman Partnership shall hold any Shares the Company will cause SS/L to deliver to each Lehman Partnership:

(a) within 45 days after the close of each quarterly accounting period ending after the date hereof, the consolidated balance sheet of SS/L as at the end of such quarterly period and the related consolidated statements of income, shareholders' equity and cash flow for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by the chief financial officer of SS/L to have been prepared in accordance with generally accepted accounting principles (but not including footnotes), subject to year-end audit adjustments;

(b) within 30 days after the close of each semiannual accounting period ending after the date hereof, a report certified by an executive officer of SS/L setting forth in reasonable detail a description of each cooperative or joint program with a value in excess of $5 million entered into by SS/L or any Subsidiary of SS/L with Loral Space or any Affiliate thereof;

(c) within 90 days after the close of each fiscal year of SS/L, the consolidated balance sheet of SS/L as of the end of such fiscal year and the related consolidated statements of income, shareholders' equity and cash flow for such fiscal year, in each case setting forth comparative figures for the preceding fiscal year, and certified by independent certified public accountants of recognized national standing;

(d) no later than five days after transmission thereof, copies of all financial statements, proxy statements, notices and reports as SS/L shall send to its debt or equity holders and copies of all registration statements (without exhibits), other than on Form S-8 or any similar successor form, and all reports which SS/L files with the Commission; and

(e) from time to time, such other information or documents (financial or otherwise) with respect to SS/L as any Stockholder may reasonably request.

Section 4.3. Regulatory Compliance. (a) If any of the circumstances described in Section 2.10 occur and would (x) cause the Company or SS/L or their respective Subsidiaries to be under FOCI or (y) result in Adverse Clearance Status and such FOCI and Adverse Clearance Status, if any, may be eliminated to the complete satisfaction of all applicable U.S. government

departments, agencies or authorities by the adoption by the applicable Lehman Investors or the Board of Directors of the Company or SS/L, as the case may be, of governance procedures or board resolutions insulating the Company or SS/L, as the case may be, from impermissible control or influence of either or both of Offshore Investment or Offshore Japan, then the Lehman Investors or the Board of Directors of the Company or SS/L shall adopt such procedures or board resolutions, provided that such procedures and/or board resolutions do not contravene and are consistent with applicable law and, in the sole reasonable judgment of the Lehman Investors, do not contravene and are consistent with the agreements governing the Lehman Investors, and provided, further, that such procedures and/or board resolutions, in the sole judgment of the Lehman Investors, do not materially alter the governance and other rights (whether exercised directly or in accordance with such procedures) of the Lehman Investors contained in this Agreement and the Charter Documents and any other agreements or documents relating thereto.

(b) If such FOCI and Adverse Clearance Status, if any, are not eliminated following compliance with paragraph (a) above, and such FOCI and Adverse Clearance Status, if any, may be eliminated by a Transfer of Shares held by one or more Lehman Investors to other Lehman Investors, the Lehman Investors shall use their reasonable efforts to effectuate such Transfer, provided that any such Transfer shall not contravene, and is made in compliance with, the agreements and investment guidelines governing the applicable Lehman Investors.

Section 4.4. Capital Contributions. (a) If the Company, Loral Space or any Affiliate (excluding SS/L) of either intends to purchase (whether pursuant to a rights offering or otherwise) any equity securities of SS/L (or rights to acquire equity securities of SS/L or securities convertible into or exchangeable for equity securities of SS/L), the Company or Loral Space shall provide written notice of such determination to the Lehman Investors no later than the earlier of (i) the date that the Company, Loral Space or any such Affiliates determines that it intends to effect such a purchase and (ii) 5 days prior to the expected closing date of such purchase (which notice shall provide the Lehman Investors with a description of all material terms of such transaction, shall indicate the expected closing date for such transaction (the "Funding Date") and shall be accompanied by copies of all documentation related to such transaction) and shall permit the Lehman Investors to participate in such transaction (through the purchase of additional shares of Series S Preferred Stock) on the same terms on a pro rata basis based on direct and indirect (by virtue of ownership of Series S Preferred Stock) percentage ownership interests in SS/L Common Stock then outstanding. The Lehman Investors shall notify the Company no later than two days prior to the Funding Date of their decision as to participation in the transaction, which determination shall be binding and irrevocable; provided that the Lehman Investors shall not be obligated to effect any such

transaction if the actual terms of such transaction differ in any material respect from those set forth in the notice relating thereto provided to the Lehman Investors pursuant to this section 4.4 (a). The Lehman Investors shall be notified promptly in the event of any material change in the terms of the proposed transaction from those set forth in such notice, regardless of whether the Lehman Investors elect to participate in such transaction. In the event of such a material change, the Lehman Investors shall have an additional two days to determine whether they desire to participate (on the terms set forth in this
Section 4.4(a)) in the transaction (as so modified), and any closing of such transaction shall not occur until the end of such two-day period. If the Lehman Investors elect to participate in any such transaction, they shall also be provided with copies of all drafts of documentation for such transaction as promptly as is possible after such drafts are prepared. In no event shall any of the Lehman Investors be obligated to make any capital contribution, extend any loan or make any other financial accommodation to SS/L or any of its Affiliates except as otherwise contemplated by Section 4 of the Transaction Agreement.

(b) In the event that the Company, Loral Space or any Affiliate of either intends to purchase any equity securities of SS/L (or rights to acquire equity securities of SS/L or securities convertible into or exchangeable for equity securities of SS/L) from SS/L (whether pursuant to a rights offering or otherwise) and the Lehman Investors determine not to participate in such transaction, LBH (or a Subsidiary of LBH) shall determine (not less than two days prior to the Funding Date for such transaction) in good faith (on the basis of information then available to the Lehman Partnerships) whether the terms of such transaction are materially less favorable to SS/L than could reasonably be expected to have been obtained in a transaction (other than a rights offering) between SS/L and a Third Party which is not an Affiliate of the Company, Loral Space or SS/L (an "Unaffiliated Transaction"). If LBH (or such Subsidiary) determines in good faith that the proposed transaction includes terms that are materially less favorable to SS/L than could reasonably be expected to have been obtained in an Unaffiliated Transaction, (i) LBH shall so notify the Company in writing, (ii) Loral Space, the Company and the Lehman Investors shall cause the SS/L Appraised Value of the securities to be issued to the Company or Loral Space (or the relevant Affiliate) to be determined as promptly as is practicable, (iii) Loral Space and the Company shall cause the closing of such proposed transaction to be delayed until such SS/L Appraised Value is determined and (iv) Loral Space and the Company shall permit such transaction to be effected only if it is structured in a manner such that the securities to be purchased in such transaction are purchased at a price at least equal to their SS/L Appraised Value; provided that if the Board of Directors of Loral Space certifies in writing to the Lehman Partnerships that (A) delay in effecting the proposed transaction until SS/L Appraised Value may be determined would have a material adverse effect on SS/L's business and (B) SS/L is

prohibited under loan documents then in effect from borrowing any portion of the funds which would be provided in the proposed transaction, the proposed transaction may be effected prior to the determination of SS/L Appraised Value; provided further that the entity purchasing securities in such transaction shall pay to SS/L an amount equal to the excess of SS/L Appraised Value over the original purchase price promptly, but in no event more than five days, after the determination of SS/L Appraised Value. SS/L Appraised Value shall be determined in accordance with the procedures set forth in Section 2.9; provided that the references to "Put Notice" in Section 2.9 shall be deemed to refer to the written notice specified in clause (i) above.

(c) The Lehman Investors acknowledge that their indirect percentage ownership Interest in SS/L may be reduced relative to that of Loral Space, the Company and their Affiliates as a result of any determination by the Lehman Investors not to participate in a capital contribution.

ARTICLE V.

CERTAIN AGREEMENTS

Section 5.1. Charter and By-laws. (a) The company has heretofore delivered to the Lehman Partnerships true and correct copies of (i) the Memorandum of Association and By-Laws of the Company and the Certificate of Incorporation and By-Laws of SS/L in the form in which they are in effect on the date hereof (the "Charter Documents"), and (ii) the SP Stockholders Agreement, in the form in which it is in effect on the date hereof.

(b) Loral Space will cause the Company to act in accordance with its Charter Documents, and the Company will cause SS/L to act in accordance with its Charter Documents, as amended from time to time, and the SP Stockholders Agreement.

Section 5.2. Corporate Actions. Loral Space and the Company shall comply with Sections 5.3 and 5.4 with respect to the occurrence of any of the following events (each, a "Material Action"):

(i) any merger or consolidation of SS/L with or into any other Person or any recapitalization or other reorganization of SS/L, other than any such transaction involving the issuance to any Person of securities having a value of less than $75 million in which SS/L is the surviving entity;

(ii) any sale, lease, exchange, transfer, pledge, contribution to a joint venture or other disposition of assets of SS/L, the fair market value of which is greater than $50 million;

(iii) any acquisition by SS/L of stock or assets (whether by means of a stock purchase, asset purchase or otherwise) having a fair market value greater than $75 million;

(iv) (A) any Public Offering by SS/L, or (B) any other issuance or sale by SS/L of capital stock or securities convertible into, exchangeable for or otherwise granting the right to acquire capital stock (including options, warrants and other rights) as a result of which Persons other than the Company, Loral Space, the Lehman Investors and the Strategic Participants own or have the right to acquire 25% or more of the outstanding capital stock (on a fully diluted basis) of SS/L;

(v) any repurchase of capital stock or securities convertible into, exchangeable for or otherwise granting the right to acquire capital stock of SS/L (including options, warrants and other rights), other than any repurchase pursuant to the provisions of the SP Stockholders Agreement or any repurchase the fair market value of which is less than $35 million, and any payment of any dividend or other distribution on any capital stock, of SS/L the fair market value of which is in excess of $35 million;

(vi) any amendment of any Charter Document of SS/L or the SP Stockholders Agreement or similar governing documents of SS/L that would adversely affect the Lehman Investors;

(vii) any incurrence (including by guarantee or assumption) by SS/L of indebtedness in excess of $50 million in the aggregate, other than the refinancing of existing loans, or the refinancing of existing loans in excess of $150 million on terms materially less favorable to SS/L than those included in the loan being refinanced;

(viii) any material transaction between SS/L and Loral Space, the Company or any Affiliate of Loral Space or the Company on terms that are less than favorable to SS/L than could have been obtained had such transaction been effected between SS/L and a Person which was not an Affiliate of the Company or Loral Space;

(ix) the taking of any corporate action by the Company or SS/L or any of its Subsidiaries for the (A) commencement of a voluntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect, (B) consent to the entry of any order for relief in an involuntary case under any such law, (C) consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of SS/L or any of its Subsidiaries or of any substantial part of the property of SS/L or any of its Subsidiaries or (D) making by SS/L or any of its

Subsidiaries of a general assignment for the benefit of creditors;

(x) (A) Bernard Schwartz ceases to be chief executive officer of SS/L and within 6 months thereafter a permanent replacement chief executive officer reasonably satisfactory to the Lehman Investors shall not have been appointed and (B) the temporary chief executive officer of SS/L (if any) at the time a Material Action Put Notice (as defined below) is delivered in respect of the matters referred to in this Section 5.3(x) is not reasonably satisfactory to the Lehman Investors (it being understood that Frank C. Lanza, Michael B. Targoff, Robert E. Berry and James W. Reynolds will be considered reasonably satisfactory temporary chief executive officers of SS/L, provided that the appointment of any such Person to such position is not opposed by any Strategic Participant);

(xi) designees of the Company or Loral Space no longer constitute a majority of the Board of Directors of SS/L;

(xii) the Company or Loral Space is in breach of any of its material obligations under this Agreement; and

(xiii) the SP Stockholders Agreement shall have terminated and Loral Space is not entitled, directly or indirectly, to appoint a majority of the members of the Board of Directors of SS/L.

Section 5.3. Notice. If the Company or Loral Space shall at any time
(i) have knowledge of any facts that could give rise to the taking or occurrence of any Material Action, the Company or Loral Space, as the case may be, shall promptly inform the Lehman Investors in writing of such facts, and (ii) desire to take any Material Action, the Company or Loral Space, as the case may be, shall provide to the Lehman Investors reasonable prior written notice (a "Notice of Proposed Action") of such proposed Material Action. The Company shall also cause SS/L to deliver a Notice of Proposed Action to the Lehman Investors promptly after SS/L has knowledge of any facts referred to in clause
(i) or desires to take any Material Action. Such Notice of Proposed Action shall contain (i) a detailed description of such proposed Material Action and the reasons therefor and any business or financial analysis related thereto (including specific reference to the clause of Section 5.2 of this Agreement applicable to such proposed Material Action) and (ii) the proposed time for the taking of such Material Action. Upon the occurrence of any Material Action referred to in Sections 5.2(x), (xi), (xii) or (xiii), the Company shall cause SS/L to promptly provide the Lehman Investors with written notice of such event (a "Notice of Material Event"), which notice shall include a detailed description of such event.

Section 5.4. Material Action Put Option. (a) If the Lehman Investors
(i) deem inadvisable, in their sole discretion, the taking of any proposed Material Action described in any Notice of Proposed Action or (ii) deem adverse to their interests, in their sole discretion, any occurrence referred to in a Notice of Material Event, the Lehman Investors shall have the option, upon written notice to Loral Space (a "Material Action Put Notice"), given to Loral Space within 30 days after delivery to Lehman Investors of the Notice of Proposed Action or the Notice of Material Event, as the case may be, to require Loral Space to purchase the Series S Preferred Stock then held by Lehman Investors at a per share purchase price equal to the greater of (x) SS/L Appraised Value, determined pursuant to the procedures set forth in Section 2.9 (except that references to "Put Notice" in Section 2.9 shall be deemed to be references to "Material Action Put Notice") and (y) $116,667 (as adjusted from time to time to reflect any stock dividend, stock split or similar event) compounded at a rate of 15% per annum from August 14, 1992 (in the case of the Associated SS/L Shares underlying 627.3 shares of Series S Preferred Stock) and from December 18, 1992 (in the case of the Associated SS/L Shares underlying 104.55 shares of Series S Preferred Stock) to and including the date of purchase by Loral Space.

(b) The closing for the purchase and sale transaction contemplated by the Material Action Put Notice shall be ten Business Days after the receipt thereof by Loral Space.

(c) On the closing date, the Lehman Investors shall deliver (i) certificates representing the Series S Preferred Stock being sold free and clear of any lien, claim or encumbrance, and (ii) such other documents, including evidence of ownership and authority, as Loral Space may reasonably request. The purchase price shall be paid by wire transfer of immediately available funds no later than 2:00 P.M. on the closing date.

(d) The provisions of Section 2.9(f) shall apply to Loral Space upon the delivery of a Material Action Put Notice to the same extent as they apply upon the delivery of a Put Notice.

Section 5.5. SS/L Information. (a) Loral Space or the Company, as the case may be, shall deliver to the Lehman Investors, within one Business Day after receipt by Loral Space or the Company, as the case may be, copies of all notices, requests and communications delivered to Loral Space or the Company, as the case may be, in connection with the Subscription Agreement dated March 28, 1991 among Loral, LAH, SS/L and the Strategic Participants, as the same may be amended from time to time, and any exhibits thereto (including the SP Stockholders Agreement).

(b) Loral Space or the Company, as the case may be, shall deliver to the Lehman Investors, within one Business Day after receipt by any nominee of Loral Space or the Company, at

the case may be, to the Board of Directors of SS/L a copy of each amended and updated Strategic Plan (as defined in the SP Stockholders Agreement) of SS/L prepared in accordance with the SP Stockholders Agreement.

(c) The Company shall cause SS/L to provide the Lehman Partnerships (or LBH or an Affiliate of LBH on such Partnerships' behalf) with bi-monthly briefings by appropriate executive personnel of SS/L with respect to the business, results of operations and prospects of SS/L and its Subsidiaries; provided that this Section 5.5(c) shall not obligate the Company to require SS/L to disclose to the Lehman Partnerships (or LBH or an Affiliate of LBH on such Partnerships' behalf) material non-public information with respect to SS/L. Such briefings shall take place as promptly as is practicable after receipt by the Company of a written or oral request from LBH or any affiliate of LBH for such a briefing. The first briefing shall occur in November 1992.

Section 5.6. Loral Space Guarantee. (a) Loral Space hereby guarantees the due and punctual payment and performance of all of the obligations of the Company under Schedule I to the Company's By-Laws (including, without limitation, the due and punctual payment and performance of all of the obligations of the Company to make payments and other distributions to the holders of Series S Preferred Stock as set forth in Schedule I to the Company's By-Laws). For purposes of the foregoing, the Company's obligations under Schedule I to the Company's By-Laws shall be determined without regard to whether or not the Company has available sufficient capital or surplus to honor such obligations and without regard to any other legal, contractual or other restriction on the ability of the Company to honor such obligations.

(b) Any amount required to be paid by Loral Space pursuant to this
Section 5.6 shall be payable in the form of Loral Space common stock. The Loral Space common stock to be issued shall be deemed to have a value equal to
(i) the average closing sale price for such common stock on the New York Stock Exchange (or such other national securities exchange or over-the-counter market as then constitutes the principal domestic trading market for Loral Space common stock) during the 10 trading days preceding the payment of such amount minus (ii) the costs that a seller of such Loral Space common stock could reasonably be expected to incur in connection with the sale of such stock (other than pursuant to a Public Offering) on the date of payment (whether or not such common stock is, in fact, sold).

Section 5.7. Tax Indemnity. (a) Loral Space hereby indemnifies and agrees to hold the Lehman Partnerships and all general and limited partners thereof (the Lehman Partnerships and such partners, collectively, the "Lehman Indemnitees") harmless from any Tax, together with all reasonable costs and expenses (including, without limitation, reasonable attorney's fees)

incurred in connection therewith or resulting therefrom, that (1) results from a failure of the August 1992 Exchange to qualify as a reorganization within the meaning of Section 368(a)(1)(B) of the Code by reason of the grant, exercise or performance by any party to the 1992 Lehman Stockholders Agreement of any right or any action in accordance with Section 5.06 or Section 5.07 of such Agreement, or (2) is imposed on any of the Lehman Indemnitees at any time as a result of or in connection with the Exchange Transaction, the ownership of the Series S Preferred Stock or the LAH Series S Preferred Stock, any receipt of Associated SS/L Shares, any Transfer of Associated SS/L Shares, any distribution by SS/L of cash or other property in respect of SS/L Common Stock or any other transaction involving Series S Preferred Stock, LAH Series S Preferred Stock or Associated SS/L Shares, which Tax would not have been payable if (i) the November 1992 Exchange had been treated for Tax purposes as a redemption of Class B Common Stock of LAH for SS/L Common Stock, (ii) during the period from the November 1992 Exchange through the Exchange Transaction, the Lehman Partnerships had been treated as owners of SS/L Common Stock for Tax purposes, and (iii) following the Exchange Transaction, the Lehman Partnerships had continued to be treated as owners of SS/L Common Stock for Tax purposes. For the avoidance of doubt, Taxes subject to indemnity under this Section 5.7(a) include, without limitation, (i) any gain recognized under Section 1001 of the Code by reason of the treatment of the Exchange Transaction as a "sale or exchange" thereunder, (ii) any Tax resulting from the treatment of the Company as a controlled foreign corporation or passive foreign investment company within the meaning of Sections 957 and 1296 of the Code, respectively, for United States federal income tax purposes, and (iii) any withholding taxes, whether imposed pursuant to any law in effect prior to the Exchange Transaction or otherwise, imposed by Bermuda on dividends received by the Lehman Partnerships in respect of the Series S Preferred Stock or imposed by a United States Taxing Authority on dividends received by the Company in respect of the Associated SS/L Shares. The Lehman Indemnitees hereby release Loral from its obligations under Section 5.07 of the 1992 Lehman Stockholders Agreement.

(b) (1) Loral Space shall discharge its obligation to indemnify the Lehman Indemnitees under Section 5.7(a) by paying the amount required to be indemnified thereunder grossed-up for any (a) Taxes payable upon payment, receipt or accrual of such indemnification payment plus (b) any additional amount of Tax payable upon payment, receipt or accrual of any payment required to be paid pursuant to this Section 5.7(b)(1).

(2) Any payment required to be made to the Lehman Indemnitees under this Section 5.7 shall be paid in cash. Without limiting the generality of the foregoing, Loral Space shall provide the Lehman Indemnitees, within 10 days of receipt of written request, with the full amount of any payments to a Taxing Authority from which an indemnification obligation by Loral Space pursuant to this Section 5.7 would arise, it being

understood that funds advanced by Loral Space pursuant to this Section 5.7(b)(2) shall give rise to no obligation on the Lehman Indemnitees' part to pay interest and shall only give rise to an obligation to return to Loral Space any refund by a Taxing Authority of such payment (including any interest included in such refund).

(c) If Loral Space makes any indemnification payment to a Lehman Indemnitee pursuant to this Section 5.7 and the Lehman Indemnitee realizes a Tax benefit (as, for example, the Lehman Indemnitee realizing less taxable gain or more taxable loss on a disposition of the Series S Preferred Stock by reason of having a higher Tax basis therein) from the transaction or status from which Loral Space's indemnification obligation pursuant to this Section 5.7 arose, the Lehman Indemnitee shall pay over to Loral Space the Tax benefit actually received by such Lehman Indemnitee. The amount of the Tax benefit shall include any Tax benefit resulting from any payments to Loral Space hereunder. The Lehman Indemnitee shall not be required to make any payment in excess of the indemnity payment received from Loral Space, and any payment may be made by offset against a payment owed by Loral Space. Any payment to be made pursuant to this Section 5.7(c) shall be made at the time a Tax payment to be remitted by such Lehman Indemnitee is actually reduced as a result of the Tax benefit or the Lehman Indemnitee receives a refund of Tax as a result of the Tax benefit (and the amount of such payment in respect of a Tax benefit shall not exceed the amount of such reduction or refund). If the Tax benefit may be realized by a refund claim by a Lehman Indemnitee, the Lehman Indemnitee shall take reasonable steps and measures, at Loral Space's expense, to obtain such refund.

(d) (i) Each of Loral Space, the Company and the Lehman Partnerships agrees that for United States federal income tax purposes (including, without limitation, for purposes of filing any federal income tax return), the Exchange Transaction shall not be treated as a taxable "sale or exchange" under Section 1001 of the Code and that the Series S Preferred Stock shall be treated as SS/L Common Stock; provided that the Lehman Partnerships shall not be required to comply with this Section 5.7(d)(1) unless (i) prior to the date hereof Willkie Farr & Gallagher shall have delivered an opinion reasonably satisfactory to the Lehman Partnerships to the effect that (A) for United States federal income tax purposes it is more likely than not that (I) the exchange of LAH Series S Preferred Stock for Series S Preferred Stock will not be treated as a sale or exchange (under Section 1001 of the Code or otherwise), and (II) following the Exchange Transaction the Lehman Partnerships will be treated as continuing to hold the SS/L Common Stock, and (B) the Lehman Indemnitees will not be subject to penalties in respect of any Taxes for taking the positions set forth in clause (A) above, and (ii) Willkie Farr & Gallagher or other nationally recognized independent tax counsel to Loral Space reasonably satisfactory to the Lehman Partnerships delivers, at such times as may be

reasonably requested by such Partnerships (in light of any change in law or other circumstances or any proposed disposition, exchange or other transaction involving the Series S Preferred Stock or Associated SS/L Shares), an opinion satisfactory in form and substance to such Partnerships to the effect that continuing to treat the Series S Preferred Stock as SS/L Common Stock will not subject a Lehman Indemnitees to penalties in respect of Taxes. The fees and expenses of such counsel shall be borne by Loral Space.

(2) Loral Space shall have no obligation to indemnify any Lehman Indemnitee under this Section 5.7 for any Tax other than a Tax imposed by the United States or Bermuda, unless such Lehman Indemnitee shall have treated the Series S Preferred Stock as SS/L Common Stock for such Tax purposes.

(e) Each limited or general partner of each Lehman Partnership shall be a third-party beneficiary of this Section 5.7.

ARTICLE VI.

TERMINATION

Section 6.1. Termination. (a) This Agreement shall terminate (and the Lehman Investors shall be entitled to receive the Associated SS/L Shares underlying their shares of Series S Preferred Stock) after a Public Offering of the Company or SS/L as a result of which Persons other than Stockholders (in the case of the Company) or Stockholders and parties to the SP Stockholders Agreement (in the case of SS/L) are entitled to (i) cast more than 50% of the votes for directors of the Company or SS/L, as the case may be, (ii) receive more than 50% of the assets available for distribution to holders of equity securities of SS/L or the Company, as the case may be, upon a liquidation of such entity or (iii) receive more than 50% of the regular dividends payable on the then outstanding shares of Common Stock or SS/L Common Stock, as the case may be, in each case after giving effect to such offering, provided that (x) the provisions of Section 7.13 shall survive for a period of three years from the date of termination of this Agreement and (y) the provisions of Sections 5.6, 5.7 shall survive without limitation.

(b) Except as otherwise provided in Section 2.12, the Lehman Investors shall be entitled to terminate the restrictions on Transfers of Series S Preferred Stock and Associated SS/L Shares by the Lehman Investors in the event of a breach by Loral Space of its obligation to purchase shares of Series S Preferred Stock held by the Lehman Investors set forth in Section 5.4.

ARTICLE VII.

MISCELLANEOUS

Section 7.1. No Inconsistent Agreements. Each of the Company and Loral Space will not hereafter, and will cause their respective Subsidiaries not to, enter into any agreement with respect to its securities which is inconsistent with the rights granted to Stockholders in this Agreement. Each of the Company and Loral Space represents and warrants to each Stockholder that it has not, and their respective Subsidiaries have not, entered into any agreement with respect to any of its debt or equity securities granting registration rights to any Person.

Section 7.2. Recapitalization, Exchange, etc. In the event that any capital stock or other securities are issued in respect of, in exchange for, or in substitution of, any Shares by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to shareholders or combination of the Shares or any other change in capital structure of the Company, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the original rights and obligations of the parties hereto under this Agreement and the term "Shares," as used herein, shall be deemed to include shares of such capital stock or other securities, as appropriate.

Section 7.3. Remedies. The Company and the Stockholders acknowledge and agree that in the event of any breach of this Agreement by any one of them, the Company or the appropriate Stockholders, as the case may be, would be irreparably harmed and could not be made whole by monetary damages. The Company and the Stockholders accordingly agree (i) to waive the defense in any action for specific performance that a remedy at law would be adequate, and
(ii) that the Company and the Stockholders, in addition to any other remedy to which they may be entitled at law or in equity, shall be entitled to compel specific performance of this Agreement in any action instituted in the United States District Court for the Southern District of New York, or, in the event said Court would not have jurisdiction for such action, in any court of the United States or any state thereof having subject matter jurisdiction for such action. The Company and the Stockholders consent to non-exclusive personal jurisdiction in any such action brought in the United States District Court of the Southern District of New York, or any such other court.

Section 7.4. Successors and Assigns. This Agreement, and all obligations and rights hereunder, shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and permitted assigns; provided that (i) neither this Agreement nor any rights or obligations hereunder

may be transferred or assigned by the Company or Loral Space and (ii) no rights of any Stockholder under this Agreement may be assigned except that any Stockholder may transfer or assign its rights and obligations hereunder, in whole or in part, to a Transferee pursuant to a Transfer of Shares or Associated SS/L Shares made in compliance with all of the provisions of this Agreement to a Person (i) who is or thereby becomes a Stockholder or (ii) who is a Person described in clause (ii) of the definition of Permitted Transferee; provided that the Lehman investors may only transfer or assign their rights under Section 5.4 to a Transferee or group of related Transferees of 50% or more of the Shares or Associated SS/L Shares underlying Shares, as the case may be, held by the Lehman Investors as of the date hereof. If any Stockholder shall acquire additional Shares, such Shares shall, except as expressly provided herein, be held subject to all of the terms of this Agreement.

Section 7.5. No Waivers; Amendments. (a) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privileges. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(b) This Agreement may not be amended, modified or supplemented other than by a written instrument signed by each party hereto.

(c) Any provision of this Agreement may be waived if, but only if, such waiver is in writing and is signed by the party against whom the enforcement of such waiver is sought.

Section 7.6. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telex, telecopier or similar writing) and shall be given to such party at its address, telex or telecopier number set forth below, or such other address, telex or telecopier number as such party may hereinafter specify for the purpose to the party giving such notice. Each such notice, request or other communication shall be effective (i) if given by telex or telecopy, when such telex or telecopy is transmitted to the telex or telecopy number specified in this Section and the appropriate answerback is received or, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or, (iii) if given by any other means, when delivered at the address specified in this Section 7.6.

Notices to the Company or Loral Space shall be addressed to the Company or Loral Space, respectively, at Loral Space & Communications Ltd., 600 Third Avenue, New York, New York 10016, Attention: Michael B. Targoff, President (telecopier no.

(212) 682-9805), with a copy thereof to Willkie Farr & Gallagher, One Citicorp Center, 153 East 53rd Street, New York, New York 10022-4669, Attention: Bruce R. Kraus (telecopier no. (212) 821-8111); and notices to the Lehman Investors shall be addressed to the Lehman Investors c/o Lehman Brothers Holdings Inc., American Express Tower, 3 World Financial Center, 200 Vesey Street, New York, New York 10205, Attention: Alan H. Washkowitz (telecopier (212) 526-3836), with a copy thereof to Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, Attention: Paul R. Kingsley (telecopier no. (212) 450-4800).

Section 7.7. Inspection. So long as this Agreement shall be in effect, this Agreement and any amendments hereto shall be made available for inspection by a Stockholder at the principal offices of the Company, Loral Space and SS/L.

Section 7.8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 7.9. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 7.10. Entire Agreement. This Agreement and the Transaction Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements (including, without limitation, the Stockholders Agreement dated as of October 23, 1990, as amended, and the 1992 Lehman Stockholders Agreement) and understandings, written or oral, relating to the subject matter hereof.

Section 7.11. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdictions, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

Section 7.12. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which together shall constitute one and the same agreement.

Section 7.13. Confidentiality. To the extent that any Stockholder receives proprietary or confidential information ("Confidential information") from the Company, Loral Space or SS/L, pursuant to Section 5.5 hereof or otherwise, such Stockholder agrees that it will not utilize in its respective business or otherwise, disclose or submit to, or file with, any

other Person (other than its respective employees, attorneys, and other professional advisors, who shall be informed of the confidential nature of such information) any Confidential Information, without the prior written consent of the Company, Loral Space, or SS/L as the case may be, except where disclosure may be required by law, as may be necessary for such Stockholder to enforce its rights under this Agreement (or any documents executed in connection herewith) or otherwise in connection with its direct or indirect interest in the Company or SS/L. Notwithstanding the foregoing, the following will not constitute "Confidential Information" for purposes of this Agreement:

(i) information which was already in the possession of the Stockholder prior to the date hereof and which was not acquired or obtained from the Company, Loral Space or SS/L;

(ii) information which is obtained or was previously obtained by the Stockholder from a third person who, insofar as is known to the Stockholder, is not prohibited from transmitting the information to the Stockholder by a contractual, legal or fiduciary obligation to the Company, SS/L or Loral Space; and

(iii) information which is or becomes generally available to the public other than as a result of a disclosure by the Stockholder or its agents or employees in violation of this Section 7.13.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

LORAL SPACE & COMMUNICATIONS LTD.

By: /s/ Eric J. Zahler
Title: Vice President

SS/L (BERMUDA) LTD.

By: /s/ Eric J. Zahler
Title: Vice President

LEHMAN BROTHERS
CAPITAL PARTNERS II, L.P.

By Lehman Brothers Holdings Inc.

By: /s/ Alan Washkowitz
Title: Vice President

LEHMAN BROTHERS MERCHANT BANKING
PORTFOLIO PARTNERSHIP L.P.

By LB I Group Inc.

By: /s/ Alan Washkowitz
Title: Vice President

LEHMAN BROTHERS OFFSHORE
INVESTMENT PARTNERSHIP L.P.

By Lehman Brothers Offshore
Partners Ltd.

By: /s/ N.G. Trollope
Title: Director/President

LEHMAN BROTHERS OFFSHORE
INVESTMENT PARTNERSHIP-JAPAN L.P.

By Lehman Brothers Offshore Partners Ltd.

By: /s/ N.G. Trollope
Title: Director/President

EXHIBIT 10.14

EXCHANGE AGREEMENT

EXCHANGE AGREEMENT, dated as of April 22, 1996 (the "AGREEMENT"), by and among Loral Space & Communications Ltd., a Bermuda company which is the successor-in-interest to Loral Space & Communications, Inc., a Delaware corporation ("SPACECOM"), Lockheed Martin Corporation, a Maryland corporation ("LMC"), and Loral Corporation, a New York corporation ("LORAL").

R E C I T A L S:

WHEREAS, each of Loral, LMC, and LAC Acquisition Corporation, a New York corporation ("LAC"), are parties to that certain Agreement and Plan of Merger, dated as of January 7, 1996, as amended (the "MERGER AGREEMENT");

WHEREAS, Loral, LMC, SpaceCom and certain affiliates of SpaceCom are parties to the Restructuring, Financing and Distribution Agreement dated as of January 6, 1996, as amended (the "DISTRIBUTION AGREEMENT");

WHEREAS, concurrently with the consummation of the Distribution (as defined in the Distribution Agreement), Loral and SpaceCom will enter into the Stockholders Agreement (as defined in the Distribution Agreement; for purposes of this Agreement, the "SPACECOM STOCKHOLDERS AGREEMENT");

WHEREAS, immediately following the Distribution, Loral will own all of the issued and outstanding shares of Series A Non-Voting Convertible Preferred Stock of SpaceCom (the "SPACECOM PREFERRED SHARES"), which, subject to certain conditions set forth in the Certificate of Designation of the SpaceCom Preferred Shares and the SpaceCom Stockholders Agreement, are convertible into shares of SpaceCom common stock, $.0l par value per share (the "SPACECOM COMMON STOCK"; collectively, the SpaceCom Preferred Shares and the SpaceCom Common Stock are the "SPACECOM SECURITIES");

WHEREAS, immediately following the Distribution, SpaceCom will own all of the issued and outstanding common stock, $.0l par value per share (the "SS/L BERMUDA COMMON STOCK"), of SS/L (Bermuda) Ltd., a Bermuda company ("SS/L BERMUDA");

WHEREAS, immediately following the Distribution all of the issued and outstanding shares of Series S Preferred Stock (as defined below) of SS/L Bermuda will be owned by Lehman Brothers Capital Partners, II, L.P., Lehman Brothers Merchant Banking Portfolio Partnership, L.P., Lehman Brothers Offshore Investment Partnership, L.P. and Lehman Brothers Offshore Investment Partnership-Japan L.P. (collectively, the "LEHMAN PARTNERSHIPS");

WHEREAS, immediately following the Distribution, SpaceCom, SS/L Bermuda and the Lehman Partnerships will be parties to the Second Amended and Restated Agreement dated as of November 13, 1992, as amended as of April 22, 1996 (the "SS/L BERMUDA STOCKHOLDERS AGREEMENT");

WHEREAS, pursuant to Sections 2.9, 2.10 and 5.4 of the SS/L Bermuda Stockholders Agreement, the Lehman Partnerships have, under certain circumstances and subject to certain conditions, the right to require SS/L to purchase from the Lehman Partnerships all of the Series S Preferred Stock;

WHEREAS, immediately following the Distribution, each of SS/L Bermuda, Aerospatiale Societe Nationale Industrielle, Alcatel Espace, Daimler-Benz Aerospace A.G. and Finmeccanica S.p.A. (collectively, the "STRATEGIC PARTNERS") will own shares of common stock, $.10 par value per share ("SS/L COMMON STOCK"), of Space Systems/Loral, Inc., a Delaware corporation ("SS/L");

WHEREAS, SpaceCom, SS/L Bermuda and SS/L intend to enter into an agreement with the Strategic Partners to amend that certain Stockholders Agreement, dated as of April 22, 1991, as amended November 2, 1992 (as amended by such contemplated amendment, the "SS/L STOCKHOLDERS AGREEMENT");

WHEREAS, pursuant to Section 4.4 of the SS/L Stockholders Agreement each of the Strategic Partners has, under certain circumstances and subject to certain conditions, the right to require SS/L to purchase from the Strategic Partner shares of SS/L Common Stock beneficially owned by the Strategic Partner (the "STRATEGIC PARTNER PUT RIGHTS");

WHEREAS, if SpaceCom acquires any of the ownership interests of the Lehman Partnerships or the Strategic Partners in SS/L Bermuda or SS/L, respectively, SpaceCom's direct or indirect ownership interest in SS/L will increase;

WHEREAS, while each of the parties hereto believe that an increase in the ownership by SpaceCom of SS/L would be entirely consistent with all applicable law and policies of the Antitrust Authorities (as defined in
Section 2.1(a)), the parties have agreed to enter into this Agreement to provide for any contingencies that may hereinafter arise;

NOW THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, LMC, Loral and SpaceCom agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 GENERAL. For convenience and brevity, certain terms used in various parts of this Agreement are listed in alphabetical order and defined or referred to below (such terms to be equally applicable to both singular and plural forms of the terms defined or referred to):

"CHANGE OF CONTROL" has, with respect to the Lehman Put Rights, the meaning assigned to the term in the SS/L Bermuda Stockholders Agreement and has, with respect to the Strategic Partner Put Rights, the meaning assigned to that term in the SS/L Stockholders Agreement.

"CLOSING MARKET PRICE" for each day for any publicly traded security means the last reported sales price regular way or, in case no such sale takes place on such day, the average of the closing bid and asked prices regular way, in either case on the principal national securities exchange on which the shares of the publicly traded security are listed or admitted to trading, or, if not listed or admitted to trading on any national securities exchange, on the Nasdaq National Market or, if the shares of the publicly traded security are not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market, the average of the closing, bid and asked prices as furnished by any New York Stock Exchange member firm selected from time to time by LMC for such purpose.

"DISTRIBUTION DATE" has the meaning assigned to that term in the Distribution Agreement.

"EXERCISE" means (i) the valid exercise by the Lehman Partnerships of the Lehman Put Rights or by a Strategic Partner of the Strategic Partner Put Rights for reasons unrelated to a Change of Control other than the Change of Control resulting from the consummation of the Offer (as defined in the Merger Agreement) and/or (ii) the repurchase of SS/L Securities from the Lehman Partnerships by SpaceCom, SS/L Bermuda or SS/L otherwise than pursuant to an exercise of the Lehman Put Rights.

"FAIR MARKET VALUE" means (i) with respect to any publicly traded security, the average of the Closing Market Prices of such security for the 10 consecutive trading days ended immediately before the date of the Requirement Notice, and (ii) with respect to a security not publicly traded, the fair market value, as of the date of the Requirement Notice, determined as if the Company whose security is being valued were to be sold in its entirety with a reasonable amount of time available to negotiate and consummate such sale; provided, that for purposes of clauses (i) and (ii) of this definition, the Fair Market Value of SpaceCom Preferred Shares shall be deemed to be equal to the Fair Market Value of SpaceCom Common Stock into which they are convertible.

"GTL" means Globalstar Telecommunications Limited, a company organized under the laws of Bermuda.

"GTL COMMON STOCK" means the common stock, $1.00 par value per share, of GTL.

"LEHMAN PUT RIGHTS" means the rights of the Lehman Partnerships to require SpaceCom, SS/L, SS/L Bermuda or any affiliate of SpaceCom to purchase SS/L Securities beneficially owned by the Lehman Partnerships pursuant to Sections 2.9, 2.10 or 5.4 of the SS/L Bermuda Stockholders Agreement as in effect on the date hereof or as such agreement may be amended from time to time hereafter with respect to (i) the conditions precedent to the Lehman Partnerships' right to require the repurchase of the SS/L Securities, (ii) the times at which such repurchase must occur and (iii) the number of shares of SS/L Securities required to be sold in connection with the exercise of any such rights.

"OWNERSHIP INCREASE" means any increase in the beneficial ownership of equity securities of SS/L, or, as the context shall require, any binding agreement (an "OWNERSHIP INCREASE AGREEMENT") to enter into a transaction or series of transactions that would result in such an increase.

"REQUIREMENT NOTICE" has the meaning set forth in Section 3.2 hereof.

"SERIES S PREFERRED STOCK" means the shares of Series S Redeemable Preferred Stock, par value $.0l per share, of SS/L Bermuda.

"SS/L SECURITIES" means equity securities of either SS/L Bermuda or SS/L.

"STRATEGIC PARTNER PUT RIGHTS" means the rights of a Strategic Partner to require SpaceCom, SS/L, SS/L Bermuda or any affiliate of SpaceCom to purchase SS/L Securities beneficially owned by the Strategic Partner pursuant to Section 4.4 of the SS/L Stockholders Agreement as in effect on the date hereof or as such agreement may be amended from time to time hereafter with respect to (i) the conditions precedent to the Strategic Partner's right to require the repurchase of the SS/L Securities, (ii) the times at which such repurchase must occur and (iii) the number of shares of SS/L Securities required to be sold in connection with the exercise of any such rights.

"TRANSFERRED SHARES" has the meaning set forth in Section 3.1(a) hereof.

ARTICLE II

ANTITRUST APPROVAL AND REVIEW

SECTION 2.1 ANTITRUST APPROVAL.

(a) The parties acknowledge and agree that an Ownership Increase could result in a requirement on the part of SS/L, SpaceCom and other parties to abide by a waiting period imposed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), and to make certain filings required thereunder, and could otherwise be subject to approval by the relevant governmental or supragovernmental antitrust authorities of the United States or the European Community (the "ANTITRUST AUTHORITIES"). Any such approval with respect to an Ownership Increase resulting from an Exercise and the lapse or early termination of the HSR Act waiting period with respect thereto is hereinafter referred to as an "APPROVAL".

(b) SpaceCom agrees that it shall not seek Approval unless it shall have received the prior written opinion of Willkie Farr & Gallagher (and/or such other counsel reasonably acceptable to LMC) that absent such Approval, the Ownership Increase would constitute a violation of law (the "OPINION").

SECTION 2.2 ANTITRUST REVIEW.

(a) SpaceCom will give LMC prompt written notice of any Ownership Increase resulting from an Exercise and a copy of any Opinion received in connection therewith.

(b) Following delivery of the Opinion to LMC, LMC and SpaceCom will (i) take promptly all actions necessary to make the filings required of LMC, SpaceCom or any of their affiliates necessary to obtain the Approval, (ii) comply at the earliest practicable date with any request from the Antitrust Authorities for additional information or documentary material related to the Ownership Increase, and (iii) cooperate in connection with any filing required by the Antitrust Authorities in connection with the Approval and in connection with resolving any investigation or other inquiry commenced by the Antitrust Authorities concerning the Ownership Increase.

(c) In furtherance and not in limitation of the covenants of LMC and SpaceCom contained in Section 2.2(b) hereof, LMC and SpaceCom shall each use reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Ownership Increase. SpaceCom shall use its reasonable efforts to obtain the Approval without the Approval being conditioned upon a change in LMC's ownership interest in SpaceCom, including, without limitation, SpaceCom's agreeing to reasonable alternative conditions or proposals of the Antitrust Authorities not involving any change in LMC's ownership interest in SpaceCom; provided, that SpaceCom shall not be required to take any action or agree to any alternative conditions or proposals that would have a material adverse effect on SpaceCom.

LMC will, and will cause its subsidiaries, to use reasonable efforts to assist SpaceCom in obtaining the Approval without the Approval being conditioned upon any change in LMC's ownership interest in SpaceCom including, without limitation, agreeing to reasonable alternative conditions or proposals of the Antitrust Authorities not involving any reduction in LMC's ownership of SpaceCom Securities; provided that LMC shall not be required to take any action, or agree to any alternative conditions or proposals, that could, in the reasonable judgment of LMC, have a material adverse effect on LMC's investment in SpaceCom.

ARTICLE III

EXCHANGE

SECTION 3.1 EXCHANGE.

(a) If, following an Ownership Increase resulting from an Exercise and receipt of the Opinion, an Antitrust Authority requires as a condition to the Approval that the indirect ownership interest of LMC in SS/L be reduced below the indirect ownership interest that would otherwise result from the Ownership Increase (the "ANTITRUST REQUIREMENT"), then LMC shall be required to transfer to SpaceCom shares of SpaceCom Securities beneficially owned by LMC as specified in Section 3.1(c) hereof in exchange for shares of GTL Common Stock; provided, however, that no such transfer shall be required if the transactions contemplated by an Ownership Increase Agreement are not completed.

(b) SpaceCom shall provide prompt written notice of the Antitrust Requirement to LMC and shall include therein reasonable evidence of the Antitrust Requirement (the "REQUIREMENT NOTICE").

(c) The number of shares of SpaceCom Securities to be transferred by or on behalf of LMC (the "TRANSFERRED SHARES") shall be the minimum number of shares necessary to reduce LMC's indirect ownership interest in SS/L to the maximum ownership interest therein permitted by the Antitrust Authorities as a condition necessary to the Approval; it being understood that nothing in this Agreement will require LMC to reduce its fully-diluted ownership interest in SpaceCom below 20% unless, prior to such reduction, appropriate modification of Section 1.4 of the SpaceCom Stockholders Agreement shall have been made that preserves the economic benefits to Loral of the option contained in such Section 1.4. The number of shares of GTL Common Stock to be delivered to LMC in exchange for the Transferred Shares shall be a number of shares of GTL Common Stock having a Fair Market Value equal to the Fair Market Value of the Transferred Shares.

(d) Notwithstanding the provisions of Section 3.1(a) hereof, SpaceCom shall not be required to deliver shares of GTL Common Stock to LMC as required thereunder if an Antitrust Authority from which Approval is requested, as a condition to the Approval, prohibits the exchange of GTL Common Stock for the Transferred Shares. In such event, in lieu of transferring GTL Common Stock to LMC in exchange for the Transferred Shares,

SpaceCom shall pay LMC, upon surrender and transfer of the Transferred Shares to SpaceCom, cash in an amount equal to the greater of (i) the Fair Market Value of the Transferred Shares and (ii) the original purchase price of the Transferred Shares, increased at the rate of 10% per annum, compounded annually, from the date of the consummation of the Offer (as defined in the Merger Agreement) through the date of the transfer of the Transferred Shares to SpaceCom. The parties agree that for the purposes of this Section 3.1(d) the aggre-gate original purchase price of the SpaceCom Securities owned beneficially by LMC on the Distribution Date is $344 million.

SECTION 3.2 DETERMINATION OF CONSIDERATION. Following receipt of the Requirement Notice by LMC, each of LMC and SpaceCom will use their reasonable efforts to reach an agreement on the number of shares of GTL Common Stock to be transferred, or the amount of cash to be paid, as the case may be, pursuant to Section 3.1(c) hereof, to LMC in exchange for the Transferred Shares. If, within 10 business days after the date of delivery of the Requirement Notice, LMC and SpaceCom cannot agree on the number of shares of GTL Common Stock or amount of cash, as the case may be, to be received by LMC in consideration of the Transferred Shares pursuant to Section 3.1 hereof (the "CONSIDERATION"), then the Consideration shall be determined by such nationally recognized investment bank as LMC and SpaceCom shall jointly select (the "DESIGNATED INVESTMENT BANK"). LMC and SpaceCom shall use their best efforts to cause the determination of the Consideration by the Designated Investment Bank to be completed in five business days if SpaceCom Securities and GTL Common Stock are both publicly traded securities and otherwise in 60 days, in each case, after the date of engagement of the Designated Investment Bank. The determination of the Designated Investment Bank shall be final and binding on the parties hereto. One-half of the fees and expenses of the Designated Investment Bank shall be paid by each of LMC and SpaceCom.

SECTION 3.3 NEW REGISTRATION RIGHTS. If the Consideration is shares of GTL Common Stock, then on or before the date the Consideration is received by LMC, SpaceCom shall cause GTL to enter into an agreement with LMC and Loral providing for LMC and Loral to have registration rights with respect to all of the shares of GTL Common Stock received in exchange for the Transferred Shares, the terms of which shall be substantially identical to the registration rights of Loral with respect to the SpaceCom Securities set forth in Article III of the SpaceCom Stockholders Agreement; provided, that the minimum number of shares and minimum value of shares of GTL Common Stock required to be included in any registration shall be adjusted in direct proportion to the difference, if any, in the market capitalization of GTL as compared to the market capitalization of SpaceCom, on the date of the Requirement Notice.

SECTION 3.4 CLOSING OF EXCHANGE. The closing with respect to the exchange of the Transferred Shares for the Consideration pursuant to Article III hereof shall be on a mutually determined closing date which shall be the later of a date not more than 15 days after (i) the date on which LMC and SpaceCom agree on the Consideration or, if applicable, the Designated Investment Bank determines the Consideration and (ii) the consummation of the transactions resulting in the Ownership Increase. The closing shall be held at 10:00 a.m.,

local time, at the principal office of SpaceCom, or at such other time or place as LMC and SpaceCom mutually agree. On such closing date, LMC and, if applicable, SpaceCom shall deliver (i) certificates representing the shares of SpaceCom Securities and, if applicable, GTL Common Stock, respectively, which shares shall be free and clear of any lien, claim or encumbrance, and in the case of the GTL Common Stock, shall be validly issued, fully paid and non-assessable, and (ii) such instruments of transfer and evidence of ownership and authority as the other party may reasonably request. In the event the Consideration is cash, then SpaceCom shall pay the Consideration to LMC by wire transfer of immediately available funds no later than 2:00 p.m. on the closing date to the account designated by LMC prior to such closing date.

ARTICLE IV

MISCELLANEOUS

SECTION 4.1 ENTIRE AGREEMENT. This Agreement, the Distribution Agreement and the SpaceCom Stockholders Agreement (including the schedules and exhibits and the agreements and other documents referred to therein) constitute the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof.

SECTION 4.2 FEES AND EXPENSES. Except as otherwise provided in the last sentence of Section 3.2 hereof, all reasonable costs and expenses incurred by the parties hereto in connection with consummating such party's obligations hereunder or otherwise shall be paid by SpaceCom; provided, however, that upon the request of SpaceCom, LMC shall advise SpaceCom from time to time of the extent of the activities of LMC's outside advisors in connection with LMC satisfying its obligations under Section 2.2(b) hereof, and provided further, that LMC shall consider in good faith the reasonable requests of SpaceCom with respect to reducing the costs and expenses being incurred by LMC in connection therewith.

SECTION 4.3 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF (EXCEPT IN THOSE CIRCUMSTANCES WHERE THE CORPORATE LAW OF THE COMPANY'S JURISDICTION OR ORGANIZATION REQUIRES THE APPLICATION OF THE LAW OF THE COMPANY'S JURISDICTION OF ORGANIZATION WITH RESPECT TO A PARTICULAR MATTER).

SECTION 4.4 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand or (c) the expiration of five Business Days after the day when mailed by

certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) If to LMC or Loral, to:

Lockheed Martin Corporation 6801 Rockledge Drive Bethesda, MD 20817 Telephone: (301) 897-6125 Telecopy No.: (301) 897-6333 Attention: Frank H. Menaker, Jr., General Counsel

and to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue New York, New York 10022 Telephone: (212) 735-3000 Telecopy No.: (212) 735-2000 Attention: Peter Allan Atkins, Esq.

and to:

O'Melveny & Myers One Citicorp Center 153 E. 53rd Street New York, New York 10022 Telephone: (212) 326-2000 Telecopy No.: (212) 326-2160 Attention: Jeffrey J. Rosen, Esq.

(ii) If to SpaceCom, to:

Loral Space & Communications Ltd.

600 Third Avenue
New York, New York
Telephone: (212) 697-1105
Telecopy No.: (212) 602-9805
Attention: Eric J. Zahler, General Counsel

with a copy to:

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Willkie Farr & Gallagher
One Citicorp Center
153 E. 53rd Street
New York, New York 10022
Telephone:  (212) 821-8000
Telecopy No.:  (212) 821-81 11
Attention:    Robert Hodes, Esq.
              Bruce R. Kraus, Esq.
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SECTION 4.5 SUCCESSORS AND ASSIGNS; RECLASSIFICATIONS; NO THIRD PARTY BENEFICIARIES. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto (which consent may not be unreasonably withheld), except that any party shall have the right, without the consent of any other party hereto, to assign all or a portion of its rights, interests and obligations hereunder to one or more direct or indirect subsidiaries, but no such assignment of obligation shall relieve the assigning party from its responsibility therefor. In the event of any recapitalization or reclassification of any SpaceCom Securities, or any merger, consolidation or other transaction with like effect, the securities issued in replacement or exchange for such SpaceCom Securities shall be deemed SpaceCom Securities hereunder. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 4.6 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 4.7 FURTHER ASSURANCES. Each party hereto or person subject hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto or person subject hereto may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

SECTION 4.8 INTERPRETATION. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. Unless otherwise specified in this Agreement, all references in this Agreement to "days" shall be deemed to be references to calendar days.

SECTION 4.9 SUMMARY PROCEEDING. No dispute arising with

respect to this Agreement where the amount in controversy as to at least one party, exclusive of interest and costs, exceeds One Million Dollars ($1,000,000) (a "SUMMARY PROCEEDING"), shall be litigated except in the Superior Court of the State of Delaware (the "DELAWARE SUPERIOR COURT") as a summary proceeding pursuant to Rules 124-131 of the Delaware Superior Court, or any successor rules (the "SUMMARY PROCEEDING RULES"). Each of the parties hereto hereby irrevocably and unconditionally (i) submits to the jurisdiction of the Delaware Superior Court for any Summary Proceeding, (ii) agrees not to commence any Summary Proceeding except in the Delaware Superior Court, (iii) waives, and agrees not to plead or to make, any objection to the venue of any Summary Proceeding in the Delaware Superior Court, (iv) waives, and agrees not to plead or to make, any claim that the Delaware Superior Court lacks personal jurisdiction over it, and
(iv) waives its right to remove any Summary Proceeding to the federal courts except where such courts are vested with sole and exclusive jurisdiction by statute.

SECTION 4.10 SPECIFIC PERFORMANCE. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to compel specific performance of this Agreement in any action instituted in any court referred to in Section 4.9 hereof.

IN WITNESS WHEREOF, each of the parties has caused this Exchange Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

LORAL SPACE & COMMUNICATIONS LTD.

By: /s/ Eric J. Zahler
Name: Eric J. Zahler
Title: Vice President & General Counsel

LOCKHEED MARTIN CORPORATION

By: /s/ Frank H. Menaker, Jr.
Name: Frank H. Menaker, Jr.
Title: Vice President and General Counsel

LORAL CORPORATION

By: /s/ Eric J. Zahler
Name: Eric J. Zahler
Title: Vice President & General Counsel

EXHIBIT 10.15

AMENDMENT

to the

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

of

GLOBALSTAR, L.P., DATED AS OF DECEMBER 31, 1994

This Amendment ("Amendment") to the Amended and Restated Agreement of Limited Partnership of Globalstar, L.P. (the "Partnership"), dated as of December 31, 1994 ("Agreement") by and among Loral/QUALCOMM Satellite Services, L.P., a Delaware limited partnership ("LQSS" or the "Managing General Partner"), Globalstar Telecommunications Limited, a company organized under the laws of Bermuda ("GTL" and together with LQSS, the "General Partners"), and all of the limited partners set forth on the signature pages hereto (collectively referred to herein as the "Limited Partners" and, together with the General Partners, the "Partners"), shall be effective as of the 6th day of March, 1996 on the following terms and conditions:

WHEREAS, GTL has made an offering (the "Offering") of 6 1/2% Convertible Preferred Equivalent Obligations due 2006 (the "CPEOs");

WHEREAS, the Partnership requires additional capital to accomplish its purposes;

WHEREAS, it is in the best interest of the Partnership to acquire such additional capital by contribution from GTL and to issue to GTL preferred partnership interests as described herein; and

WHEREAS, the parties hereto desire to effect this Amendment for the purposes of issuing such preferred partnership interests to GTL;

NOW, THEREFORE, the Partners, in consideration of the premises and their mutual agreements as hereinafter set forth, do hereby agree to amend the Partnership Agreement as follows:

1. All references to "Loral" or "Loral Corporation" in the Partnership Agreement shall be deemed to refer to Loral Space & Communications Ltd. ("Loral SpaceCom") upon the transfer of Partnership Interests by Loral Corporation or its subsidiaries to Loral SpaceCom or its subsidiaries, all as contemplated in that certain Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, among Lockheed Martin Corporation, Loral and certain subsidiaries of Loral.

2. The following definitions in ARTICLE II of this Agreement are hereby amended in their entirety to read as follows:

"Authorized Partnership Interests" means the sum of (i) 55,448,837,
(ii) 4,230,769.231 (or up to 5,076,923.077 to the extent that the over-allotment option granted to the Initial Purchasers is exercised) and (iii) the number of Ordinary Partnership Interests issuable upon exercise of the warrants issuable to certain Partners or Affiliates thereof and to GTL in connection with the guarantee of the Partnership's obligations under the Globalstar Credit Agreement, provided that any greater number of Authorized Partnership Interests may be authorized from time to time with the Consent of the Partners.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of Globalstar, L.P. filed with the Secretary of State of the State of Delaware on December 31, 1994 pursuant to the Delaware Act, as it may be amended from time to time.

"Minimum Gain" has the meaning specified in Treasury Regulation
Section 1.704-2(b)(2) for "partnership minimum gain".

"Partnership Interest" means an interest (whether ordinary or preferred as the context may require) in the Partnership of a General Partner, a Limited Partner, or both, as the context may require, provided however, that with respect to matters relating to the voting of Partnership Interests, except as provided in Section 13.02, the term shall refer only to Ordinary Partnership Interests. The Partners' respective equity interests in the Partnership are represented by the Partnership Interests they hold, as set forth on Schedule A of this Agreement.

"Percentage Interest" means the ratio, expressed as a percentage, that the number of Ordinary Partnership Interests held by a Partner bears to the total number of Ordinary Partnership Interests outstanding.

3. ARTICLE II--DEFINITIONS of the Partnership Agreement is amended by adding thereto the following definitions:

"Accounting Period" means a period beginning on the first day after the end of the prior Accounting Period and ending on the earlier of (i) the end of the PartnershipGs fiscal year, (ii) the end of the Partnership's tax year,
(iii) the day prior to the day on which there is a material adjustment to the Book Values of the PartnershipGs assets under Section 8.05(c) or (iv) such other date as determined by the Committee.

"Adjusted Income" means the excess, if any, of the sum of (a) Operating Income plus (b) Capital Transaction Gain plus (c) the deductions for depreciation and amortization taken into account in computing Operating Loss over the sum of (d) Operating Loss and (e) Capital Transaction Loss. All the elements of

Adjusted Income are reduced by the amounts thereof allocated under Sections 5.02, 5.04 and Section 8.05(c).

"Average Market Value" means the arithmetic average of the Current Market Value of the GTL Common Stock for the ten Trading Days ending on the second Business Day prior to the applicable date of payment.

"Conversion Ratio" has the meaning ascribed to such term in Section 3.1 of Schedule C to this Agreement.

"CPE Representative" means the representative on the Committee designated by the holders of CPEOs following a GTL Deferral Trigger Event.

"CPEO Effective Date" means the date on which the CPEOs are issued and GTL contributes the net proceeds from the sale of such CPEOs to the Partnership.

"Current Market Value" means the average of the high and low sales prices of the GTL Common Stock as reported on the Nasdaq National Market or any national securities exchange upon which the GTL Common Stock is then listed for the Trading Day in question.

"Distribution Arrearages" means the amount of Scheduled Distributions that the Partnership has elected to defer that remain unpaid.

"Distribution Make-Whole Payment" means the payment due to GTL with respect to the PPIs called for redemption pursuant to a Provisional Redemption, which payment shall be equal to the present value of the aggregate amount of Scheduled Distributions thereafter payable on such PPIs during the Distribution Make-Whole Period, which shall be calculated using the bond equivalent yield on U.S. Treasury Notes or Bills having a term nearest in length to that of the Distribution Make-Whole Period as of the Notice Date.

"Distribution Make-Whole Period" means the period of time from the Provisional Redemption Date to the third anniversary of the date on which CPEOs are first issued by GTL.

"Globalstar Credit Agreement" means that certain Credit Agreement dated as of December 15, 1995, among the Partnership, Chemical Bank and the banks signatories thereto.

"Globalstar Interest Payment Notice" means written notice delivered to GTL, with a copy to the Trustee, by the Partnership notifying GTL of (i) whether the Partnership has elected to defer the applicable Scheduled Distribution pursuant to the provisions of this Agreement and (ii) if it has not elected to defer such Scheduled Distribution, whether it will pay such Scheduled Distribution (A) in cash, (B) by delivery of Ordinary Partnership

Interests or (C) through any combination of the foregoing. Such Notice shall be delivered at least 20 Business Days prior to the applicable Scheduled Distribution Payment Date and shall contain any other information required by Section 2.3 of Schedule C to this Agreement.

"Globalstar Redemption Notice" means written notice delivered to GTL by the Partnership notifying GTL of (i) the Partnership's election to redeem any Preferred Partnership Interests pursuant to the provisions of this Agreement and (ii) whether it will make such redemption (A) in cash, (B) by delivery of Ordinary Partnership Interests or (C) through any combination of the foregoing. Such Notice shall be delivered at least 20 Business Days prior to the applicable Redemption Date and shall contain the information required by Section 2.3 of Schedule C to this Agreement.

"GTL Common Stock" means the common stock, par value $1.00 per share, of GTL.

"GTL Conversion Price" shall mean the conversion price of the CPEOs, adjusted upon the occurrence of certain dilutive events as set forth in the Indenture.

"GTL Deferral Election" means the election of the Board of Directors of GTL to defer the payment of an installment of interest due on the CPEOs on an interest payment date, or any portion due thereof.

"GTL Deferral Trigger Event" means the deferral by GTL of the payment of interest due on the CPEOs in an aggregate equal to six quarterly interest payments.

"GTL Interest Payment Notice" means written notice delivered to the holders of the CPEOs and the Partnership notifying them (i) whether GTL has elected to defer the payment of an interest payment pursuant to a GTL Deferral Election and (ii) if it has not elected to defer such interest, whether GTL is paying the installment of interest due on the applicable interest payment date in (A) cash, (B) GTL Common Stock or (C) through any combination of the foregoing. Such Notice shall be delivered at least 12 Business Days prior to the applicable interest payment date and shall contain any information pertinent to such payment.

"GTL Response Redemption Notice" means written notice delivered to the holders of the CPEOs and the Partnership, with a copy to the Trustee, notifying them of whether GTL is paying the redemption price of and interest (including any applicable interest make-whole payment) on such CPEOs in (i) cash, (ii) GTL Common Stock or (iii) through any combination of the foregoing. Such Notice shall be delivered at least 12 Business Days prior to the applicable redemption date and shall contain any information pertinent to such redemption.

"Indenture" means that certain Indenture, dated as of March 6, 1996, between GTL and the Trustee.

"Initial Purchasers" means the initial purchasers of the CPEOs set forth in the Purchase Agreement.

"Mandatory Redemption Date" means March 1, 2006; provided, however, that, if such date shall not be a Business Day, then the Mandatory Redemption Date shall be the next Business Day.

"Notice Date" means the date of mailing of a notice of provisional redemption of CPEOs by GTL to the holders of CPEOs.

"Offering Memorandum" means the offering memorandum, dated February 29, 1996, relating to the CPEOs.

"Optional Redemption" has the meaning specified in Section 2.7 of Schedule C to this Agreement.

"Optional Redemption Date" means the Redemption Date for an Optional Redemption as specified in Section 2.7 of Schedule C to this Agreement.

"Ordinary Partnership Interests" or "OPIs" means partnership interests, general or limited, as the case may be, in the Partnership, which interests are not entitled to the preferential allocation of profits and losses set forth in Section 5.01(a).

"Outstanding" when used with respect to PPIs means, as of the date of determination, all PPIs issued pursuant to this Agreement except PPIs theretofore canceled by the Partnership or delivered to the Partnership for cancellation, pursuant to redemption or conversion.

"Preferred Partnership Interests" or "PPIs" means general partnership interests in the Partnership, the capital contributions for which are set forth in Section 4.01(d) and for which separate Capital Accounts will be maintained and that have the rights to convert into Ordinary Partnership Interests as set forth in Article III of Schedule C hereto, the rights to distributions set forth in Section 5.05(a) and the right to allocations set forth in Section 5.01(a) and that are subject to redemption under Article II of Schedule C hereto.

"Provisional Redemption" has the meaning specified in Section 2.6 of Schedule C to this Agreement.

"Provisional Redemption Date" means the Redemption Date for a Provisional Redemption as specified in Section 2.6 of Schedule C to this Agreement.

"Purchase Agreement" means that certain Purchase Agreement, dated February 29, 1996, among GTL, the Partnership and Lehman Brothers Inc., Bear, Stearns & Co. Inc., Donaldson, Lufkin &

Jenrette Securities Corporation and Unterberg Harris as the Initial Purchasers.

"Redemption Date", when used with respect to any PPI to be redeemed, means the date fixed for such redemption by or pursuant to this Agreement and includes the Provisional Redemption Date, the Optional Redemption Date and Mandatory Redemption Date, as the case may be.

"Redemption Price", when used with respect to any PPI to be redeemed, means the price at which it is to be redeemed pursuant to this Agreement.

"Regular Record Date" for the distribution payable on any Scheduled Distribution Payment Date means February 15, May 15, August 15 or November 15 (whether or not a Business Day), as the case may be, next preceding such Scheduled Distribution Payment Date.

"Scheduled Distribution" means the distribution payable on a Scheduled Distribution Date by the Partnership in respect of the PPIs, which payment, subject to Section 5.05(d), may be deferred by the Committee in its sole discretion.

"Scheduled Distribution Payment Date" means March 1, June 1, September 1 and December 1, commencing June 1, 1996; provided, however, that if such date shall not be a Business Day, then such date shall be the next Business Day.

"Stated Value" shall equal $275,000,000 in the aggregate (and if the over-allotment option granted to the Initial Purchasers is exercised from time to time, plus such additional amount as shall equal the principal amount of the additional CPEOs purchased upon exercise of such option).

"Trading Day" means (a) if the GTL Common Stock is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which such GTL Common Stock actually trades on the New York Stock Exchange or another national securities exchange, (b) if the GTL Common Stock is quoted on the Nasdaq National Market, a day on which the GTL Common Stock actually trades or (c) if the GTL Common Stock is not so listed, admitted for trading or quoted, any Business Day on which the GTL Common Stock actually trades.

"Trigger Percentages" means the percentages set forth in Section 2.6 of Schedule C to this Agreement that triggers the Partnership's option to redeem the PPIs pursuant to a Provisional Redemption.

"Trustee" means the Person named as the "Trustee" in the Indenture and any successor Trustee.

4. ARTICLE II--DEFINITIONS of the Partnership Agreement is further amended by deleting therefrom the following definition:

"Discontinuing Partner"

5. Article IV, Section 4.01(a) is hereby amended in its entirety to read as follows:

LQSS has made, or will make, at the times and in the amounts set forth in its Subscription Agreement, cash Capital Contributions to the Partnership in the amount set forth in Schedule A hereto in return for 18,000,000 Ordinary Partnership Interests.

6. Article IV, Section 4.01(c) is hereby renamed "(d)" and amended in its entirety to read as follows:

"(c) GTL has made cash Capital Contributions to the Partnership in the amount of $186 million in return for 10,000,000 Ordinary Partnership Interests."

7. Article IV, Section 4.01 is hereby amended by adding thereto a new section (d):

"(d) On the CPEO Effective Date, GTL will contribute the net proceeds of the Offering to the Partnership as described in the Offering Memorandum in return for PPIs with an aggregate face amount equal to the principal amount of the CPEOs issued by GTL in the Offering. The face amount of each PPI shall be $65. The aggregate contribution and face amount of the PPIs shall be set forth in an amendment to Schedule A. If on or after the CPEO Effective Date, the over-allotment option granted to the Initial Purchasers is exercised (as described in the Offering Memorandum), in full or in part, then GTL shall contribute the additional net proceeds from the exercise of such option to the Partnership in return for additional PPIs which shall be reflected in a similar manner in Schedule A."

8. Article IV, Section 4.02 is hereby amended in its entirety to read as follows:

"Each Limited Partner has made, or will make at the times and in the amounts set forth in its Subscription Agreement, cash Capital Contributions to the Partnership in the amount set forth on Schedule A hereto in return for the number of Ordinary Partnership Interests set forth on such Schedule A. The total number of such Partnership Interests is 19,000,000."

9. Article IV, Section 4.05(a) is hereby amended in its entirety to read as follows:

The Partnership shall maintain a separate account for each class of Partnership Interests held by a Partner as part of its books and records. A Partner's "Capital Account" for a class of Partnership Interests shall be credited with (a) the amount of cash contributed to the Partnership by the Partner, and, in addition in the case of LQSS, the Book Value of any property contributed and the amount referred to in Section 4.01(b)(iii), (b) allocations of Adjusted Income, Operating Income, Capital Transaction Gain and COD Income to the Partner and (c) the amount of any Partnership liabilities assumed (or taken subject to) by such Partner and shall be debited with (d) allocations of Operating Loss and Capital Transaction Loss to the Partner and (e) the amount of cash distributions and the fair market value of any property distributed to the Partner and (f) the amount of any Partner liabilities assumed (or taken subject to) by the Partnership. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations under Section 704(b) of the Code and, to the extent not inconsistent with the provisions of this Agreement, shall be interpreted and applied in a manner consistent with such Regulations.

10. Article IV, Section 4.05(c) is hereby amended in its entirety to read as follows:

"If the Partnership distributes OPIs with respect to PPIs under
Section 5.05(a)(iii), a portion of the Adjusted Capital Account for such PPIs will be transferred to such OPIs. The transferred amount shall be equal to the lesser of: (i) the amount of the cash distribution obligation on the PPIs discharged by the distribution of such OPIs, (ii) the excess, if any, of the prior allocations of Adjusted Income to such PPIs under Sections 5.01(a)(i) and (iii) over the sum of the prior allocations of Loss to such PPIs under Section 5.01(c)(iii), prior and current distributions on such PPIs under
Section 5.05(a)(ii) not paid in OPIs and the initial Adjusted Capital Accounts of OPIs previously issued in payment of distributions under Section 5.05(a)(ii) or (iii) an amount per distributed OPI equal to the Adjusted Capital Account for outstanding OPI with the highest Adjusted Capital Account. Any excess of (ii) over the lesser of (i) or (iii), shall be transferred among the Partnership Interests as provided in Subsection (e)."

11. Article IV, Section 4.05 is further amended by adding thereto a new section (d):

"If the Partnership distributes OPIs in connection with a redemption or conversion of PPIs under Article II or III of

Schedule C hereto, the Adjusted Capital Account of the redeemed or converted PPIs (after reduction for any cash or the fair market value of other property paid by the Partnership as part of the redemption or conversion) shall be transferred to such distributed OPIs; provided, however, that the amount transferred shall not exceed an amount per distributed OPI equal to the Adjusted Capital Account for the outstanding OPI with the highest Adjusted Capital Account. Any portion of the Adjusted Capital Account of the redeemed or converted PPI that cannot be transferred to the distributed OPIs, shall be transferred among the Partnership Interests as provided in Subsection (e)."

12. Article IV, Section 4.05 is further amended by adding thereto a new section (e):

"The excess amounts described in Subsections (c) and (d) shall be transferred first to the PPIs as if it were Adjusted Income to the extent provided for in the allocation of Adjusted Income under Section 5.01(a), then under Section 5.01(b) and then to all OPIs (including the OPIs being distributed) in accordance with their Percentage Interests."

13. Article V, Section 5.01 is hereby amended in its entirety to read as follows:

SECTION 5.01. Allocations Generally. After the allocations in Sections 5.02 and 5.04 at the end of each Accounting Period, Adjusted Income, Operating Income, Operating Loss, Capital Transaction Gain and Capital Transaction Loss will be allocated as follows:

(a) Allocation of Adjusted Income to PPIs. Adjusted Income will be allocated to the Capital Account maintained for the outstanding PPIs:

(i) in the amount equal to the excess of prior allocations of Operating Loss and Capital Transaction Loss to currently outstanding PPIs under subsections (c)(iii) over prior allocations to them under this subsection (a)(i);

(ii) then in the amount necessary to bring the Capital Account of each outstanding PPI to $65;

(iii) then in an amount equal to a cumulative 6 and 1/2% per annum simple interest return on the face amount of each outstanding PPI; this return shall be computed on the basis of a 360-day year with twelve 30-day months;

(iv) then in an amount equal to the excess of (x) the cumulative United States federal, state and local income taxes imposed on the cumulative excess of the

amounts of income allocated to PPIs under this Agreement (including allocations under this Subsection (a)(iv) and Subsection (a)(v))that are subject to tax by those jurisdictions over the amounts of tax losses allocated to the PPIs pursuant to this Agreement that, under the laws of the particular jurisdiction, could be carried back or carried over to offset such taxable income by a Bermuda company holding the PPIs that was not engaged in business in the United States otherwise than by being a Partner in the Partnership over (y) prior allocations under this Section 5.01 (a)(iv).

(v) then in an amount equal to the excess of the sum of (x) the cumulative amounts of branch profits taxes that were imposed on the holder of each outstanding PPI under
Section 884 of the Code for prior and current actual or deemed distributions with respect to such interest and (y) the branch profits tax that will be imposed on the holder of such interest under Code section 884 upon the future actual or deemed distribution of taxable amounts allocated to such interests under this Agreement (including allocations under Subsection (a)(iv) (excluding allocations for federal income taxes) and this Subsection (a)(v)) over (z) prior allocations under this Section 5.01(a)(v).

(b) Allocation of Adjusted Income to OPIs. Adjusted Income will then be allocated to OPIs that were issued under Section 5.05(a)(iii), Section 1.2(b) of Schedule C or Article III of Schedule C, in proportion to, and to the extent that, the Adjusted Capital Account for each such OPI is less than the Adjusted Capital Account for the outstanding OPI with the highest Adjusted Capital Account.

(c) Operating Loss and Capital Transaction Loss. Operating Loss in excess of any remaining Operating Income after the allocations set forth above and then Capital Transaction Loss in excess of any remaining Capital Transaction Gain after the allocations set forth above shall be allocated:

(i) among the Partners holding OPIs in accordance with their Percentage Interests until the Adjusted Capital Account for the OPIs of such a Partner is reduced to zero;

(ii) then, among such Partners in proportion to, and to the extent of, their Adjusted Capital Accounts for their OPIs;

(iii) then, to the holders of outstanding PPIs in proportion to, and to the extent of, the Adjusted Capital Accounts for their PPIs; and

(iv) then, among the General Partners in proportion to their Percentage Interests.

(d) Operating Income. Any Operating Income remaining after the allocations set forth above in excess of Operating Loss will be allocated among the Partners holding Ordinary Partnership Interests in proportion to, and to the extent of, distributions to be made with respect to such OPIs under Section 5.05(c), then in proportion to, and to the extent that, negative Adjusted Capital Account balances with respect to one or more OPIs exceed the holder's share of Minimum Gain and Partnership Minimum Gain, and then in accordance with Percentage Interests.

(e) Capital Transaction Gain. Any Capital Transaction Gain remaining after the allocations set forth above in excess of Capital Transaction Loss will be allocated among the Partners holding OPIs (other than a Delinquent Partner);

(i) In proportion to, and to the extent that, negative Adjusted Capital Account balances with respect to one or more OPIs exceed the holder's share of Minimum Gain and Partnership Minimum Gain;

(ii) Then, in proportion to the relative amount for each holder of an OPI that is equal to the excess of its Capital Commitment for that OPI over the sum of its Adjusted Capital Account balance for that OPI and prior distributions to it under Section 5.05 until the Adjusted Capital Accounts of the Limited Partners and GTL with respect to OPIs acquired on or prior to the GTL Effective Date are equal to the excess of their Capital Commitments with respect to such OPIs over prior distributions to them with respect to such OPIs under Section 5.05;

(iii) Then, to LQSS until the Adjusted Capital Account of LQSS with respect to its OPIs acquired prior to the GTL Effective Date is equal to the excess of its Capital Commitment with respect to such Partnership Interests over prior distributions to it with respect to such OPIs under Section 5.05;

(iv) Then, 75% to LQSS and 25% to the other Partners until the ratio of LQSS's Adjusted Capital Account for its OPIs to the Adjusted Capital Accounts of all OPIs is equal to the ratio of LQSS's OPIs to outstanding OPIs; and

(v) Then, in accordance with Percentage Interests.

14. The introductory language in Article V, Section 5.04 is hereby amended in its entirety to read as follows:

"If a Foreign Taxing Jurisdiction imposes a tax upon the Partnership, upon a subsidiary of the Partnership or upon payments to one of the foregoing and such tax is not borne by a third party as a result of a "gross up" provision, tax indemnity or otherwise, then, to the extent that such tax would not have been imposed on income allocated with respect to an Ordinary Partnership Interest if any Partner holding such Partnership Interests or a direct or indirect partner in such Partner were subject only to United States income taxes on the income or payments subject to tax by the Foreign Taxing Jurisdiction:"

15. Article V, Section 5.04(a) is hereby amended in its entirety to read as follows:

"(a) the amount of such tax shall be charged against the Capital Account of such Partner for such Ordinary Partnership Interest and shall reduce the amounts distributable to it under Section 5.05; and"

16. Article V, Section 5.05 is hereby amended by adding thereto a new section (a):

"(a) Distributions to Holders of PPIs.

(i) The Partnership shall distribute pro rata on the PPIs an amount such that the cumulative distributions under this Subsection (a)(i) equal the sum of (x) the cumulative United States federal, state and local income taxes imposed on the cumulative excess of the amounts of income allocated to the PPIs under this Agreement that are subject to tax by those jurisdictions over the amounts of tax losses allocated to the PPIs pursuant to this Agreement that, under the laws of the particular jurisdiction, could be carried back or carried over to offset such taxable income by a Bermuda company holding the PPIs that was not engaged in business in the United States otherwise than by being a Partner in the Partnership and (y) the cumulative branch profits taxes imposed with respect to PPIs under Section 884 of the Code. Distributions under this Subsection (a)(i) shall be made prior to the time that the holder of the PPI is required to make payments to the relevant taxing authority.

(ii) Then, on each Scheduled Distribution Payment Date, Distributable Cash Flow and Distributable Capital Proceeds shall be distributed to the holder of each outstanding PPI, until cumulative distributions under this Subsection (a)(ii) give each such holder a cumulative return in an amount equal to a cumulative 6 and 1/2% per annum simple interest return on the face amount of each outstanding PPI; this return shall be computed on the basis of a 360-day year with twelve 30-day months.

(iii) The Committee may determine to pay all or any portion of the amount of the distributions described above in OPIs, under the procedures set forth in Section 1.2 of Schedule C hereto. Cash distributions under this Section (a) shall first be made from Distributable Cash Flow and then from Distributable Capital Proceeds.

(iv) Each holder of a PPI must receive the amount described in Subsection (a)(i) prior to, or contemporaneously with, any distributions with respect to the OPIs and, except for distributions to permit the payment of taxes imposed on the Partners by the jurisdictions in which the Partnership does business, each holder of a PPI must receive the amount described in Subsection (a)(ii) prior to, or contemporaneously with, any other distributions with respect to the OPIs."

17. Article V, Section 5.05(a), (b) and (c) are hereby renamed (b) and (c) and (d) and amended in its entirety to read as follows:

"(b) Distributions of any remaining Distributable Cash Flow shall be made among the Partners holding OPIs in accordance with their Percentage Interests.

(c) Distributions of any Distributable Capital Proceeds remaining after the distributions set forth above shall be made after making the allocations under Article V through the date of distribution among the Partners holding OPIs in accordance with their Percentage Interests until the Adjusted Capital Account of a Partner with respect to its OPIs is reduced to zero and then in proportion to, and to the extent of, any positive Adjusted Capital Account balances for OPIs held by the other Partners and then, in accordance with Percentage Interests.

(d) For any year, the Partnership shall distribute all Distributable Cash Flow, provided that, except as contemplated in the following sentence, without the Consent of the Partners, the Partnership will not establish any reserves more than 10% in excess of the amount of reserves for expenditures contemplated by the Business Plan currently in effect for such period unless the establishment of reserves in a greater amount is required in accordance with generally accepted accounting principles in the United States ("GAAP"), as confirmed in writing by the Partnership's independent accountants, the Partnership specifies in writing to the Partners the contingency for which such reserve is required and undertakes to release the reserve at such time as it is no longer required in respect of such contingency. If the Partnership shall seek to establish reserves at a level that exceeds either the 10% or the GAAP level described above and such reserves shall not have been approved by the Consent of the Partners ("Excess

Reserve"), the Partnership may require, as a condition to the distribution of such Excess Reserve, the indemnification of the Partnership by each of the Partners for their share of such Excess Reserve by an 18-month surety bond or other instrument or security reasonably acceptable to the Partnership. In order to trigger such indemnification, the Partnership must (1) have itemized the liabilities which prompted its call for the Excess Reserve and (2) existing reserves must be exhausted. Only then and only to the extent necessary may such indemnification be called upon. In any event, the period of such indemnification or the term of any surety bond purchased pursuant to this Section shall not exceed eighteen months."

18. Article V, Section 5.05 is further amended by adding thereto a new section (e):

"(e) No distribution shall be made to a Partner with respect to either a PPI or an OPI under this Section or a payment or redemption under Article I and II of Schedule C hereto, if such distribution or payment would reduce the Adjusted Capital Account for such Partnership Interest to less than zero or such distribution is otherwise prohibited by the Globalstar Credit Agreement or any other applicable indenture or credit agreement that the Partnership may enter into from time to time."

19. Article V is further amended by deleting therefrom section 5.06.

20. Article V is further amended by changing the number of section 5.07 to 5.06.

21. Article V is further amended by adding thereto a new section 5.07:

"SECTION 5.07. Terms of PPIs. The PPIs shall have the additional terms set forth in Schedule C hereto."

22. Article VI, Section 6.03(c) is hereby amended in its entirety to read as follows:

"(c) Upon a GTL Change of Control or a Reduction in Interest, GTL will become a Limited Partner and will lose all of its rights as a General Partner under this Agreement, including the right to appoint representatives to serve on the Committee and, through the GTL Independent Directors, to veto certain actions of the Partnership. The Committee will thereby dissolve and all actions previously authorized to be taken by the Committee will thereupon be taken by the Managing General Partner as the sole General Partner. In addition, upon a GTL Change of Control or a Reduction in Interest, any PPIs then held by GTL would automatically convert into preferred limited partnership interests and any

OPIs then held by GTL would automatically convert into limited OPIs. GTL's preferred limited partnership interests will have the same terms as the PPIs except that they will convert into, and payments of any OPIs with respect thereto, would be made in limited OPIs rather than general OPIs."

23. Article VIII, Section 8.05(c) is hereby amended in its entirety to read as follows:

"(c) The Book Values of all of the Partnership's assets shall be adjusted by the Partnership to equal their respective gross fair market values as of the following times: (a) the admission of a new Partner to the Partnership or acquisition by an existing Partner of an additional interest in the Partnership from the Partnership (including the acquisition of PPIs as set forth in Section 4.01(d)); (b) the distribution by the Partnership of money or property to a withdrawing, retiring or continuing Partner in consideration for the retirement of all or a portion of such Partner's interest in the Partnership; and
(c) the termination of the Partnership for Federal income tax purposes pursuant to section 708(b)(1)(B) of the Code; provided, however, that no adjustment shall be made upon the issue of an OPI pursuant to
Section 5.05(a)(iii) or Section 1.2(b) of Schedule C. The Partnership will not be required to make an adjustment upon the exercise of a warrant to acquire an OPI or upon a conversion of a PPI pursuant to Article III of Schedule C until the sum of the cumulative face amount of PPIs converted and the exercise price of warrants exercised since the last adjustment exceeds $15,000,000. In such case, the Partnership shall make at least one adjustment during the year and, if no other adjustment event occurs during the year and after the $15,000,000 threshold was reached, a required adjustment shall be made as of the date of the last PPI conversion or warrant exercise during the year. Upon a conversion of a PPI and an adjustment to the Book Values of Partnership assets under this Section, any resulting Capital Transaction Loss shall be first allocated to holders of OPIs whose Adjusted Capital Accounts are higher than the Adjusted Capital Accounts of the OPIs acquired on exercise of a warrant or on conversion in amounts and proportions to reduce the differences between such Adjusted Capital Accounts and any resulting Capital Transaction Gain shall first be allocated to the Capital Account of the OPIs acquired on exercise of a warrant and on conversion in an amounts to reduce or eliminate the amount by which the Adjusted Capital Accounts for such OPIs are less than the Capital Account for the outstanding OPI with the highest Adjusted Capital Account. Any remaining Capital Transaction Gain or Loss shall be allocated under Section 5.01. The Partnership will promptly report any such adjustment to the Partners."

24. Article XIII, Section 13.02 is hereby amended in its entirety to read as follows:

"To the extent permitted by the Delaware Act, upon dissolution of the Partnership in accordance with Section 13.01(b), (d) or (e), the remaining Partners may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement if holders of a majority of the outstanding PPIs and a Majority in Interest of the Partners agree in writing (1) to continue the business of the Partnership and (2) to the appointment, if necessary, effective as of the date of withdrawal, of a successor Managing General Partner. Unless such an election is made within 90 days after dissolution, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is made within 90 days after dissolution, then:"

25. A new Schedule A, in the form attached hereto, shall replace the existing Schedule A to the Partnership Agreement.

26. Schedule C, in the form attached hereto, shall be added as a schedule to the Partnership Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

LORAL/QUALCOMM SATELLITE SERVICES, L.P.
Managing General Partner

By: /s/ Michael B. Targoff
Name: Michael B. Targoff
Title: Authorized Signatory

GLOBALSTAR TELECOMMUNICATIONS LIMITED
General Partner

By: /s/ Michael B. Targoff
Name: Michael B. Targoff
Title:

AIRTOUCH SATELLITE SERVICES
Limited Partner

By: /s/ Eric Zahler
Name: Eric Zahler
Title:

SAN GIORGIO S.A.
Limited Partner

By: : /s/ Eric Zahler
Name: Eric Zahler
Title:

HYUNDAI/DACOM
Limited Partner

By: /s/ Eric Zahler
Name: Eric Zahler
Title:

LORAL/DASA GLOBALSTAR, L.P.
by LORAL GLOBALSTAR, L.P., its

general partner
by LORAL GENERAL PARTNER, INC.,
its general partner
Limited Partner

By: /s/ Michael B. Targoff

Name: Michael B. Targoff
Title:

LORAL GLOBALSTAR, L.P.
by LORAL GENERAL PARTNER, INC.,

its general partner
Limited Partner

By: /s/ Michael B. Targoff

Name: Michael B. Targoff
Title:

TE.SA.M.
Limited Partner

By: /s/ Eric Zahler

Name: Eric Zahler
Title:

VODASTAR LIMITED
Limited Partner

By: /s/ Eric Zahler

Name: Eric Zahler
Title:

SCHEDULE A

SCHEDULE OF PARTNERS

Partner	Capital Contribution	Interests
AirTouch Satellite Services	$ 37,500,000	3,000,000 OPIs
San Giorgio S.A.	$ 18,750,000	1,000,000 OPIs
GTL	$186,000,000*	10,000,000 OPIs 4,615,384.615 PPIs**
Hyundai/DACOM	$ 37,500,000	3,000,000
Loral/DASA	$ 37,500,000	3,000,000
Global Star, L.P.		
Loral Globalstar, L.P.	$ 37,500,000	3,000,000
LQSS	$ 50,000,000	18,000,000
TESAM	$ 37,500,000	3,000,000
Vodastar Limited	$ 37,500,000	3,000,000

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* Plus the net proceeds from the offering as declared in the Offering Memorandum

** Will be increased to 5,076,923.077 PPIs if the Initial Purchasers' remaining over-allotment option is exercised in full.

SCHEDULE C

ARTICLE I

Covenants

SECTION 1.1. Distributions on PPIs. Cumulative accrued distributions shall be payable on the PPIs as set forth in Section 5.05(a)(ii) of this Agreement on each Scheduled Distribution Payment Date commencing on June 1, 1996 (or, if such date is not a Business Day, on the next succeeding Business Day). Subject to Section 5.05 of this Agreement, distributions on the PPIs shall occur, as and if designated by the Committee in its sole discretion. Distributions on the PPIs will accrue on a [daily] basis (without interest or compounding) whether or not there are unrestricted funds legally available for the payment of such distributions and whether or not such distributions are declared. Distribution Arrearages shall also not accrue interest.

SECTION 1.2. Payment of Redemption Price and Distributions. (a) The Partnership will duly and punctually pay or cause to be paid by no later than one Business Day prior to the date such payment is due the Redemption Price of, and Scheduled Distributions, including any Distribution Make-Whole Payment, on the PPIs, in accordance with the terms of this Agreement; provided, however, that the Partnership may defer paying Scheduled Distributions on any Scheduled Distribution Payment Date if the Committee so determines in its sole discretion, but so long as any Distribution Arrearage remains outstanding, except as set forth in Section 5.05(a)(iv) of this Agreement and Section 4.1 of this Schedule C, the Partnership will be prohibited from paying distributions on (i) its OPIs or (ii) preferred partnership interests that may be issued in the future other than pro rata based on the redemption amount of such preferred partnership interests.

(b) The Partnership may elect, at its option, to pay the Redemption Price of, and Scheduled Distributions, including any Distribution Make-Whole Payment, on the PPIs, (i) in cash, (ii) by delivery of OPIs (in the manner described in paragraph (c) of this Section 1.2) or (iii) through any combination of the foregoing forms of consideration elected by the Committee in its sole discretion.

(c) If the Partnership elects to deliver any OPIs in lieu of a cash payment on the applicable date of payment, the Partnership shall deliver, in the aggregate, the number of OPIs equal to (i) the amount of payment that is not being paid in cash, (ii) divided by: (A) in the case of Scheduled Distributions and any Distribution Make-Whole Payment, 90% of the Average Market Value of the GTL Common Stock; (B) in the case of all other payments, 100% of the Average Market Value of the GTL

Common Stock; provided, however, if the Partnership shall have received a GTL Interest Payment Notice or a GTL Response Redemption Notice which indicates that GTL shall have elected to make its corresponding payment from the proceeds from the sale of any issuance of GTL Common Stock, then the valuation of the OPIs to be issued by the Partnership pursuant to Section 1.2(b)(ii) shall be based upon the actual price at which such GTL Common Stock is sold.

SECTION 1.3. Certain Accompanying Payments. PPIs surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Distribution Payment Date to the opening of business on such Distribution Payment Date (except PPIs called for redemption on a Redemption Date within such period) must be accompanied by payment in cash of an amount equal to the distribution thereon which GTL is entitled to receive; provided, that no payment shall be owed or payable to GTL if the Committee shall have elected to defer the distribution to be made on such Distribution Payment Date. No other adjustment for distributions, including any Distribution Arrearages, is to be made upon conversion.

ARTICLE II

Redemption of PPIs

SECTION 2.1. Right of Redemption; Mechanics of Redemption. (a) The PPIs may be redeemed, pursuant to either a Provisional Redemption (as described in Section 2.6 of this Schedule C, any such Provisional Redemption shall include the Distribution Make-Whole Payment) or Optional Redemption (as described in Section 2.7 of this Schedule C), at the election of the Partnership, in whole or from time to time in part and shall be redeemed at the Mandatory Redemption Date, at the Redemption Prices specified in this Article II, together with accrued Scheduled Distributions to the Redemption Date.

(b) The Partnership shall deliver a Globalstar Redemption Notice to GTL 20 Business Days prior to any such Redemption Date.

SECTION 2.2. Selection by the Managing General Partner of PPIs to be Redeemed. If any PPI selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the PPI so selected, the converted portion of such PPI shall be deemed (so far as may be) to be the portion selected for redemption. PPIs which have been converted during a selection of PPIs to be redeemed shall be treated by the Managing General Partner as Outstanding for the purpose of such selection, but not for the purpose of paying the Redemption Price thereof.

For all purposes of this Agreement, unless the context otherwise requires, all provisions relating to the redemption of PPIs shall relate, in the case of any PPIs redeemed or to be

redeemed only in part, to the portion of the redemption amount of such PPI which has been or is to be redeemed.

SECTION 2.3. Notice of Redemption. Whenever a Globalstar Redemption Notice is required to be delivered to GTL, such Notice shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) if less than all the Outstanding PPIs are to be redeemed, the identification (and, in the case of partial redemption, the redemption amounts) of the particular PPIs to be redeemed;

(4) that on the Redemption Date the Redemption Price, together with (unless the Redemption Date shall be a Scheduled Distribution Payment Date) distributions accrued and unpaid to the Redemption Date, will become due and payable upon each such PPI to be redeemed and that distributions thereon will cease to accrue on and after said date;

(5) the Conversion Ratio, the date on which the right to convert the Stated Value of the PPIs to be redeemed will terminate and the place or places where such PPIs may be surrendered for conversion; and

(6) the place or places where such PPIs are to be surrendered for payment of the Redemption Price.

SECTION 2.4. Deposit of Redemption Price. Prior to any Redemption Date, the Partnership shall deposit with the Trustee or with GTL's paying agent
(or, to GTL if GTL is acting as its own paying agent with respect to the CPEOs)
an amount of consideration sufficient to pay, in the case of a cash payment, or deliver, in the case of delivery of OPIs, the Redemption Price of and (except if the Redemption Date shall be a Scheduled Distribution Payment Date) the accrued Scheduled Distribution on all the PPIs which are to be redeemed on that date (other than any PPIs called for redemption on that date which have been converted prior to the date of such deposit, except with respect to any applicable Distribution Make-Whole Payment).

If any PPI called for redemption is converted, any cash or OPIs deposited with the Trustee, GTL's paying agent or with GTL shall (subject to any right of GTL to receive distributions as provided in Section 1.3 of this Schedule C) be paid or delivered to the Partnership upon its request. Any Distribution Make-Whole Payment will be paid to GTL on the date of conversion or Redemption Date, as the case may be.

SECTION 2.5. PPIs Payable on Redemption Date. Notice of redemption having been given as aforesaid, the PPIs so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Partnership shall default in the payment of the Redemption Price and accrued Scheduled Distributions, including any Distribution Make-Whole Payment) no further distributions shall be payable or accrue with respect to such PPIs. Upon surrender of any such PPI for redemption in accordance with said notice, such PPI shall be paid, subject to Section 1.3, by the Partnership at the Redemption Price, together with accrued Scheduled Distributions to the Redemption Date.

If any PPI called for redemption shall not be so paid upon surrender thereof for redemption, the Redemption Price (but not any unpaid Scheduled Distributions or any Distribution Make-Whole Payment) shall, until paid, bear interest from the Redemption Date at 6 1/2% per annum.

SECTION 2.6. Provisional Redemption. The Partnership may redeem, in whole or in part (a "Provisional Redemption"), at any time prior to March 2, 1999, at the Redemption Price of 103% of the aggregate Stated Value of the PPIs to be redeemed plus accrued and unpaid Scheduled Distributions, if any, to the date of Provisional Redemption (the "Provisional Redemption Date"), in the event that the Current Market Value of the GTL Common Stock equals or exceeds the following Trigger Percentages of the GTL Conversion Price for at least 20 Trading Days in any consecutive 30 Trading Day period ending on the Trading Day prior to the date of mailing of the Globalstar Redemption Notice if called for Provisional Redemption in the 12-month period ending March 1 of the following years:

Year	Trigger Percentage
1997	170%
1998	160%
1999	150%

Upon any Provisional Redemption, the Partnership shall make the Distribution Make-Whole Payment with respect to the PPIs called for redemption. The Partnership shall make the Distribution Make-Whole Payment on all PPIs called for Redemption, regardless of whether such PPIs are converted prior to the Provisional Redemption Date.

SECTION 2.7 Optional Redemption. Commencing March 2, 1999, the PPIs will be redeemable at any time, in whole or in part, at the election of the Partnership (the "Optional Redemption"), at a Redemption Price equal to the percentage of the Stated Value set forth below plus accrued and unpaid Scheduled Distributions, if any, to the date of Optional

Redemption (the "Optional Redemption Date") if redeemed in the 12-month period ending March 1 of the following years:

Year	Redemption Price
2000	103%
2001	102%
2002	101%

and thereafter at a Redemption Price equal to 100% of the Stated Value plus accrued and unpaid Scheduled Distributions, if any, to the Optional Redemption Date.

SECTION 2.8. Mandatory Redemption. Each PPI (if not earlier redeemed or converted) will be mandatorily redeemed by the Partnership on the Mandatory Redemption Date at a Redemption Price of 100% of the Stated Value plus accrued and unpaid Scheduled Distributions, if any (including all Distribution Arrearages), to the Mandatory Redemption Date.

ARTICLE III

Conversion of PPIs

SECTION 3.1. Conversion Privilege and Conversion Price. Subject to and upon compliance with the provisions of this Article, one PPI shall be convertible into one OPI (the "Conversion Ratio") which Conversion Ratio shall be adjusted in certain circumstances as provided in Section 3.4. Upon any conversion of CPEOs by a holder thereof, GTL shall convert a proportionate amount of PPIs into OPIs. Such conversion right shall expire at the close of business on the Business Day preceding the Mandatory Redemption Date. In case a PPI or portion thereof is called for redemption, such conversion right in respect of the PPI or portion so called shall expire at the close of business on the Business Day preceding the Redemption Date, unless the Partnership defaults in making the payment due upon redemption.

SECTION 3.2. Exercise of Conversion Privilege. PPIs surrendered for conversion during the period from the close of business on any Regular Record Date next preceding any Scheduled Distribution Payment Date to the opening of business on such Scheduled Distribution Payment Date shall (except in the case of PPIs or portions thereof which have been called for redemption on a Redemption Date within such period) be accompanied by payment in New York Clearing House funds or other funds acceptable to the Partnership of an amount equal to the Scheduled Distribution payable on such Scheduled Distribution Payment Date on the Stated Value of PPIs being surrendered for conversion. Except as provided in the preceding sentence and subject to Section 1.3 of this Schedule, no payment or adjustment shall be made upon any

conversion on account of any Scheduled Distribution accrued on the PPIs surrendered for conversion or on account of any Scheduled Distributions on the OPIs issued upon conversion. In no event shall the Partnership be obligated to pay any converting Holder any unpaid Distribution Arrearages upon conversion.

PPIs shall be deemed to have been converted immediately prior to the close of business on the day of surrender of such PPIs for conversion in accordance with the foregoing provisions, and at such time the rights of GTL with respect to such PPIs shall cease, and OPIs issuable upon conversion shall be treated for all purposes as having been issued at such time.

SECTION 3.3. Fractions of Interests. In the event that GTL shall be required to pay a cash adjustment in lieu of any issuance of fractional interests in GTL Common Stock as provided in the Indenture and GTL shall not have cash available to make such payment, then the Partnership shall make a cash distribution to GTL, in lieu of a payment of such amount in OPIs under this Agreement and to the extent that funds shall be legally available thereof, to allow GTL to make such cash adjustments.

SECTION 3.4. Adjustment of Conversion Ratio. Upon an adjustment of the GTL Conversion Price (a "GTL Adjustment Event"), the Conversion Ratio shall be adjusted so that the ratio of the number of OPIs issuable upon conversion of a PPI after the GTL Adjustment Event to the number of shares of Common Stock issuable upon conversion of a CPEO after the GTL Adjustment Event shall equal the ratio of the number of OPIs issuable upon conversion of a PPI immediately prior to the GTL Adjustment Event to the number of shares of Common Stock issuable upon conversion of a CPEO immediately prior to the GTL Adjustment Event.

SECTION 3.5. Provisions in Case of Consolidation, Merger or Conveyance or Transfer of Properties and Assets. In case of any consolidation of the Partnership with, or merger of the Partnership into, any other partnership or other business entity, or in case of any merger of another partnership or other business entity into the Partnership (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding Partnership Interests or a transaction governed by
Section 6.13 of this Agreement), or in case of any conveyance or transfer of the properties and assets of the Partnership substantially as an entirety, the partnership, corporation, or other business entity formed by such consolidation or resulting from such merger or which acquires by conveyance or transfer such properties and assets, as the case may be, shall execute and deliver to GTL an agreement providing that GTL shall have the right thereafter, during the period PPIs shall be convertible as specified in this Article III, to convert such PPIs only into the kind and amount of securities, cash and other property receivable upon such consolidation, merger, conveyance or transfer by a Partner holding OPIs immediately prior to such consolidation, merger, conveyance or transfer,

assuming such Partner failed to exercise its rights of election, if any, as to the kind or amount of partnership interests, securities, cash and other property receivable upon such consolidation, merger, conveyance or transfer (provided that, if the kind or amount of securities, cash and other property receivable upon such consolidation, merger, conveyance or transfer is not the same for each unit of Ordinary Partnership Interests in respect of which such rights of election shall not have been exercised ("nonelecting share"), then for the purpose of this Section the kind and amount of partnership interests, cash and other property receivable upon such consolidation, merger, conveyance or transfer by each nonelecting OPI shall be deemed to be the kind and amount so receivable per share by a plurality of the nonelecting OPIs). Such agreement shall provide for adjustments which, for events subsequent to the effective date of such agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article. The above provisions of this Section shall similarly apply to successive consolidations, mergers, conveyances or transfers. The Partnership will not become a party to any consolidation or merger unless the terms of such consolidation or merger are consistent with this Section.

SECTION 3.6. Taxes on Conversions. The Partnership will pay any and all taxes that may be payable in respect of the issue or delivery of OPIs on conversion of PPIs pursuant hereto.

ARTICLE IV

Subordination of PPIs

SECTION 4.1. PPIs Subordinate to All Liabilities. The PPIs shall be subordinated and subject, to the extent and in the manner herein set forth, in right of payment to the prior payment in full of all existing and future liabilities of the Partnership, including without limitation (i) certain distributions made to partners in respect of taxes levied upon the operations of Globalstar; (ii) distributions of the Management Fee; and (iii) guarantee fees to be made to partners and other persons in connection with their guarantee of the Partnership's obligations under the Globalstar Credit Agreement.

SECTION 4.2. No Payments When Liabilities in Default; Payment Over of Proceeds upon Dissolution, etc. In the event the Partnership shall default in the payment of any liabilities of the Partnership when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash or property, by setoff or otherwise) need be made or agreed to be made on account of the PPIs (excepting cash payment for fractional interests as set forth in Section 3.3 above).

Upon the happening of an event of default with respect to any liability, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof (under circumstances when the terms of the preceding paragraph are not applicable), unless and until such event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash or property, by setoff or otherwise) need be made or agreed to be made on account of the PPIs (excepting cash payment for fractional interests as set forth in
Section 3.3 above).

In the event of:

(a) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Partnership or its property;

(b) any proceeding for the liquidation, dissolution or other winding up of the Partnership or its property;

(c) any assignment by the Partnership for the benefit of creditors; or

(d) any other marshaling of the assets of the Partnership;

all liabilities (including any interest thereon accruing after the commencement of any such proceedings) shall first be paid in full before any payment or distribution (direct or indirect), whether in cash or property, by setoff or otherwise, need be made on account of any PPIs.

SECTION 4.3. Voting Rights. Except as required by law, the PPIs will not have any voting rights. Upon a GTL Deferral Trigger Event, (i) the number of members of the Committee will be increased by one and the holders of the CPEOs, voting separately as a class with the holders of any other securities upon which similar voting rights have been conferred and are exercisable, will be entitled to elect one representative to the Committee (the "CPE Representative"). The CPE Representative will promptly resign upon receipt of notice from GTL that all Distribution Arrearages with respect to the PPIs have been paid.

EXHIBIT 10.16

FIRST AMENDMENT TO THE GLOBALSTAR, L.P. REVOLVING CREDIT AGREEMENT

FIRST AMENDMENT, dated as of March 25, 1996 (the "Amendment") to the Revolving Credit Agreement, dated as of December 15, 1995 (as such agreement may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement") among GLOBALSTAR, L.P., a Delaware limited partnership (the "Borrower"), the several financial institutions parties from time to time thereto (the "Banks") and CHEMICAL BANK, a New York banking corporation, as administrative agent (the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, pursuant to the Credit Agreement, the Banks have severally agreed to make Loans to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, Loral Corporation ("Loral") has guaranteed payment of the Obligations (as hereinafter defined) pursuant to the Guarantee dated as of December 15, 1995 (the "Loral Guarantee") by Loral in favor of the Administrative Agent;

WHEREAS, contemporaneous with the execution and effectiveness of this Amendment, Loral is being acquired by Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), and Loral has requested that the Banks and the Administrative Agent consent to the amendments to the Credit Agreement contained herein and the termination and release of the Loral Guarantee as provided herein, and the Banks and the Administrative Agent are willing to do so;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Banks, the Administrative Agent and the Borrower hereby agree as follows:

SECTION 1. DEFINED TERMS

Unless otherwise defined herein, terms defined in the Credit Agreement shall have such meanings when used herein.

SECTION 2. AMENDMENTS

2.1 General. All references in the Credit Agreement (including, but not limited to, those references in subsections 1.1, 2.2, 2.6, 3.4, 5.2, Section 8, Sections 10.1, 10.2 and 10.6) to (i) the name "Loral" shall be deleted and replaced by the name "Lockheed Martin", except that the definition of "Loral" in Section 1.1 of the Credit Agreement shall remain unchanged, the

reference to Loral in the definition of "Loan Parties" shall remain unchanged, and the references to Loral in Section 4.1 shall remain unchanged, (ii) the term "Loral Guarantee" shall be deleted and replaced by the term "Lockheed Martin Guarantee" except that in Sections 4.1 (a), (g) and (h) the term "Loral Guarantee" shall be replaced by the term "Original Loral Guarantee" and (iii) the term "Loral Credit Agreement" shall be deleted and replaced by the term "Lockheed Martin Credit Agreement".

2.2 Amendments to Section 1.1. Section 1.1 of the Credit Agreement is hereby amended by:

(a) deleting the date "September 1, 1995" from clause (iii) of the definition of "Change of Control" and substituting the phrase "the date the Tender Offer (as defined in the Lockheed Martin Credit Agreement) is consummated" therefor and deleting the name "Loral" from clauses (iii) and (iv) of such definition and substituting the name "Loral Space & Communications Ltd." therefor;

(b) deleting the definition of "Loan Parties" in its entirety and substituting therefor the following:

"Loan Parties": the Borrower and, prior to the Release Date, (i) each Subsidiary of the Borrower which is a party to a Loan Document, (ii) from the Closing Date through the date on which the Original Loral Guarantee is released, Loral, and, thereafter, Lockheed Martin and (iii) the other Partner Guarantors.

(c) deleting the defined terms "Loral Credit Agreement" and "Loral Guarantee" in their entirety;

(d) deleting the words "or Loral" from the definition of "Obligations";

(e) deleting the name "Loral" from the definition of "Partner Collateral Account" and substituting the name Loral Space & Communications Ltd. therefor;

(f) deleting the name "Loral" from the definitions of "Partner Guarantee" and "Partner Guarantor" and substituting the name "Loral Space & Communications Ltd." therefor;

(g) inserting the phrase ", Loral" immediately following the phrase "(or their Affiliates)" appearing in the definition of "Partner Guarantor Fee Arrangement" and inserting the phrase "and certain other parties" immediately after the phrase "and/or another Partner" in such definition;

(h) deleting the words "the Loral Guarantee or other" from clause (i) of the definition of "Release Date Conditions Precedent" and substituting the word "any" therefor; and

(i) adding thereto in alphabetical order the following defined terms:

"Guaranteed Obligations": the collective reference to the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent and the Banks (including, without limitation, interest accruing at the then applicable rate provided in this Agreement after the maturity of the Loans and interest accruing at the then applicable rate provided in this Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement or the Notes, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Banks that are required to be paid by the Borrower or pursuant to the terms of this Agreement).

"Lockheed Martin": Lockheed Martin Corporation, a Maryland corporation.

"Lockheed Martin Credit Agreement": the Revolving Credit Agreement (Five Year) to be dated as of a date in April, 1996, and substantially in the form delivered to the Banks on March 25, 1996, among Lockheed Martin, LAC Acquisition Corporation, as guarantor thereunder, the several financial institutions parties from time to time thereto, Morgan Guaranty Trust Company of New York, as Documentation Agent, and Bank of America National Trust and Savings Association, as Administrative Agent, as amended, modified and supplemented from time to time in accordance with the terms thereof but without giving effect to any cancellation or termination thereof.

"Lockheed Martin Guarantee": the Guarantee to be executed and delivered by Lockheed Martin, substantially in the form of Exhibit A to the First Amendment dated as of March 25, 1996 to this

Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Original Loral Guarantee": the guarantee executed and delivered by Loral, substantially in the form of Exhibit E, dated as of December 15, 1995.

"Preferred Equity Interests": any Equity Interests of the Borrower that are preferred or senior in right of payment to any other Equity Interests of the Borrower and which have the following characteristics:

(a) such Equity Interests are not mandatorily redeemable or redeemable at the option of the holder thereof prior to 90 days after the Termination Date;

(b) dividends thereon are payable no more frequently than quarterly;

(c) the dividend rate thereon is a market rate at the time of issuance; and

(d) such Equity Interests have other terms satisfactory to the Administrative Agent (the Banks hereby acknowledging that the terms of the Preferred Equity Interests to be issued by the Borrower to Globalstar Telecommunications, Ltd. ("GTL") in connection with the issuance by GTL of its $300,000,000 % Convertible Preferred Equivalent Obligation due 2006 are satisfactory).

2.3 Amendments to Section 2. Section 2 of the Credit Agreement is hereby amended by:

(a) (i) inserting the word "Guaranteed" immediately following the phrases "Payment of all the" and "no more than 60% of the" and "no less than 40% of the" in Section 2.2(a) and (ii) inserting the words "or the Applicable Partner" immediately following the phrase "(unless Obligations are otherwise due) if the Borrower" appearing in the first sentence of Section 2.2(e) and deleting the word "principal" from the last sentence of Section 2.2(e); and

(b) (i) deleting the word "At" at the beginning of Section 2.6(c) and substituting the word "Upon" therefor, (ii) deleting the word "and" immediately preceding the "(iii)" appearing therein and substituting a "," therefor

and (iii) inserting immediately after the end of clause (iii) of such subsection the following:

or by other guarantees, collateral or credit support satisfactory to the Required Banks and (iv) if the Commitments would exceed $250,000,000 after giving effect to such increase, Lockheed Martin consents to such increase.

2.4 Amendment to Section 6.6. Section 6.6 of the Credit Agreement is hereby amended by deleting the word "or" immediately preceding the "(b)" appearing therein and substituting a "," therefor and inserting at the end of the first sentence of such subsection the following:

or (c) in respect of Preferred Equity Interests.

2.5 Amendments to Section 8. Section 8 of the Credit Agreement is hereby amended by:

(a) deleting from clause (a)(iii) thereof the phrase:

or Loral shall default in the observance or performance of any agreement contained in Section 10 of the Loral Guarantee incorporated from Section 6 of the Loral Credit Agreement; or

(b) deleting from clause (a)(iv) thereof the phrase:

or Loral shall default in the observance or performance of any agreement contained in Section 10 of the Loral Guarantee incorporated from Section 5 of the Loral Credit Agreement, and such default shall continue unremedied for a period of 30 days;

(c) deleting clause (a)(ix) thereof in its entirety and substituting therefor the following:

(ix) An Event of Default under Section 11 of the Lockheed Martin Guarantee shall occur.

and (d) deleting the "s" from the word "paragraphs" appearing in clause (A) of Section 8(b)(i) and deleting the phrase ", (a)(iii) or (a)(iv)" appearing in such clause.

2.6 Amendments to Section 10. Section 10 of the Credit Agreement is hereby amended by:

(a) inserting immediately before the word "or" at the end of clause (a) which appears in the second sentence of Section 10.1 the following:

and in the case of any extension of the Termination Date, the written extension of the time of payment of interest on any Loan in an aggregate amount exceeding $15,000,000 for more than six months or the extension of the Commitment Period, without the written consent of Lockheed Martin

(b) deleting from Section 10.1 all of clause (b) which appears in the second sentence thereof and substituting therefor the phrase "(b) [INTENTIONALLY OMITTED]";

(c) inserting at the end of clause (d) which appears in the second sentence of Section 10.1 the following:

amend, modify or waive any provision of this Section 10.1 that requires the consent of Lockheed Martin without the written consent of Lockheed Martin or

(d) inserting the words "and Lockheed Martin" immediately before the word "or" appearing at the end of clause (g) which appears in the second sentence of Section 10.1;

(e) inserting the phrase "or Section 2.6(a) or Section 2.6(c)" immediately following the words "amend Section 2.2" appearing in clause (h) which appears in the second sentence of Subsection 10.1;

(f) deleting from Subsection 10.2 the reference to Loral and its address therein and substituting therefor the following:

Lockheed Martin Corporation 6801 Rockledge Drive Bethesda, Maryland 20817 Attention: Treasurer

(g) deleting the word "Clause" from the last sentence of
Section 10.6(a) and substituting therefor the phrase "Sections 2.2 and 2.6 and Clauses (a), (d), (g) and" therefor and inserting the phrase "to the extent provided therein" at the end of such sentence.

SECTION 3. TERMINATION AND RELEASE OF THE LORAL GUARANTEE

The Banks hereby agree that upon satisfaction of all the conditions precedent in Section 4 hereof the Loral Guarantee shall be terminated and released as of the Amendment Effective Date.

SECTION 4. CONDITIONS TO EFFECTIVENESS

This Amendment shall become effective, and the Loral Guarantee shall be terminated and released, on the first day (the "Effective Date") that the following conditions precedent are satisfied:

4.1 Consent of all the Banks. The Administrative Agent shall have received an executed counterpart of this Amendment signed by the Borrower and each Bank.

4.2 Lockheed Martin Guarantee. The Administrative Agent shall have received an executed copy of the Lockheed Martin Guarantee.

4.3 Legal Opinion. The Administrative Agent shall have received executed legal opinions of counsel to Lockheed Martin substantially in the form of Exhibit B hereto.

4.4 Closing Certificate. The Administrative Agent shall have received a Closing Certificate of Lockheed Martin, dated the date hereof, substantially in the form of Exhibit C hereto, with appropriate insertions and attachments, satisfactory in form and substance to the Administrative Agent and its counsel, executed by a duly authorized officer of Lockheed Martin.

4.5 No Proceeding or Litigation; No Injunctive Relief. No action, suit or proceeding before any arbitrator or any Governmental Authority shall have been commenced, no investigation by any Governmental Authority shall have been commenced, no action, suit, proceeding or investigation by any Governmental Authority shall have been threatened and no Requirement of Law shall have been enacted or proposed, in each case as of the Effective Date (i) seeking to restrain, prevent or change the transactions contemplated by the Credit Agreement (including the Satellite Project) in whole or in part or questioning the validity or legality of the transactions contemplated by the Credit Agreement or seeking damages in connection with such transactions or seeking to restrain, prevent or change the execution, delivery and performance of the Lockheed Martin Guarantee or (ii) which could reasonably be expected to have a Material Adverse Effect.

4.6 Audited Financial Statements of Lockheed Martin. The Administrative Agent shall have received, with a copy for each Bank, the consolidated balance sheet of Lockheed Martin and its consolidated Subsidiaries as at December 31, 1995 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by Ernst & Young LLP, which financial statements shall have been reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit.

4.7 Tender Offer. The Tender Offer (as defined in the Lockheed Martin Credit Agreement) shall have been consummated.

SECTION 5. MISCELLANEOUS

5.1 Representations and Warranties. The Borrower hereby confirms that all of the representations and warranties made by the Loan Parties contained in the Loan Documents are true and correct in all material respects on and as of the date hereof (other than representations as are made as of a specific date) after giving effect to this Amendment.

5.2 No Default. The Borrower hereby confirms that no Default or Event of Default shall have occurred and be continuing on the date hereof or after giving effect to this Amendment.

5.3 Subsidiary Guarantee. Globalstar Capital Corporation hereby confirms that the Subsidiary Guarantee to which it a party is in full force and effect and will continue to be in full force and effect after giving effect to this Amendment and the transactions contemplated hereby.

5.4 Counterparts. This Amendment may be executed by one or more of the parties hereof on any number of separate counterparts and all such counterparts shall be deemed to be one and the same instrument.

5.5 GOVERNING LAW. This Guarantee shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be duly executed and delivered by their respective duly authorized officer as of the day and year first above written.

GLOBALSTAR, L.P.

By: LORAL/QUALCOMM SATELLITE
SERVICES L.P., as Managing
General Partner

**By: LORAL/QUALCOMM PARTNERSHIP,
L.P., as General Partner**

**By: LORAL GENERAL PARTNER, INC.,
as General Partner**

By: /s/Nick Moren

Title: Vice President

CHEMICAL BANK, as
Administrative Agent and as
a Bank

By: /s/Chemical Bank

Title:

BANK OF AMERICA ILLINOIS

By: /s/Steve Aronowitz

Title: Vice President

**MORGAN GUARANTY TRUST
COMPANY OF NEW YORK**

By: /s/Diana M. Imhof

Title: Vice President

THE BANK OF NEW YORK

By: /s/Ken Sneider

Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/J. Alan Edwards

Title:

BARCLAYS BANK PLC

By: /s/John C. Livingston

Title: Director

BAYERISCHE LANDESBANK GIROZENTRALE

By: /s/Peter Obermann

Title: Senior Vice President
Manager, Lending Division

BANQUE NATIONALE de PARIS

By: /s/Richard L. Sled

Title: Senior Vice President

By: /s/Thomas N. George

Title: Vice President

THE CHASE MANHATTAN BANK, N.A.

By: /s/Richard C. Smith

Title: Vice President

CIBC INC.

By: /s/Marisa Harney

Title: Director

CITICORP USA, INC.

By: /s/Marjorie Futornick

Title: Vice President

CREDIT LYONNAIS
CAYMAN ISLAND BRANCH

By: /s/Credit Lyonnais Cayman Island Bank

Title:

CREDIT LYONNAIS
NEW YORK BRANCH

By: /s/Credit Lyonnais New York Branch

Title:

CREDIT SUISSE

By: /s/ Hamilton Crawford

Title: Associate

By: /s/ Michael C. Mast

Title: Member of Senior Management

THE DAI-ICHI KANGYO BANK,
LIMITED, NEW YORK BRANCH

By: /s/Kim Lehry

Title: Vice President

THE FUJI BANK, LIMITED
NEW YORK BRANCH

By: /s/Teiji Teramoto

Title: Vice President & Manager

BAYERISCHE HYPOTHEKEN-UND WECHSEL-BANK
AKTIENGESELLSCHAFT, NEW YORK BRANCH

By: /s/Bayerische Hypotheken-Und

Wechsel-Bank Aktiengesellschaft,
New York Branch

THE INDUSTRIAL BANK OF JAPAN, LIMITED - NEW YORK BRANCH

By: /s/John V. Veltri

Title: Senior Vice President

LTCB TRUST COMPANY

By: /s/Rene O. LeBlanc

Title: Senior Vice President

MELLON BANK, N.A.

By: /s/David N. Smith

Title: Vice President

THE MITSUBISHI TRUST AND BANKING CORPORATION

By: /s/Patricia Loret de Mola

Title: Senior Vice President

NATIONAL CITY BANK

By: /s/Joseph D. Robinson

Title: Vice President

NATIONSBANK, N.A.

By: /s/Mary E. Mandanos

Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/M. J. Williams

Title: Vice President

ROYAL BANK OF CANADA

By: /s/John P. Page

Title: Senior Manager

ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A.

By: /s/Wendell Jones

Title: Vice President

By: /s/Roberto Gorlier

Title: F.V.P. & Deputy G.M.

THE SANWA BANK, LIMITED

By: /s/Dominic J. Sorresso

Title: Vice President

SOCIETE GENERALE

By: /s/Bruce Drossman

Title: Vice President

THE SUMITOMO BANK, LIMITED

By: /s/The Sumitomo Bank, Limited

Title:

By: /s/Herman White, Jr.

Title: Vice President

TORONTO DOMINION (TEXAS), INC.

By: /s/Toronto Dominion (Texas), Inc.

Title:

THE YASUDA TRUST & BANKING COMPANY, LIMITED

By: /s/The Yasuda Trust & Banking

Company, Limited

Title:

CONFIRMATION OF SUBSIDIARY GUARANTEE:

GLOBALSTAR CAPITAL CORPORATION

By: /s/Nick Moran

Title: Vice President & Treasurer

EXHIBIT 10.17

GUARANTEE

GUARANTEE, dated as of April 23, 1996, made by Lockheed Martin Corporation, a Maryland corporation (the "Guarantor"), in favor of CHEMICAL BANK, as agent (in such capacity, the "Administrative Agent") for the lenders (the "Banks") from time to time parties to the Credit Agreement, dated as of December 15, 1995 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Globalstar, L.P., a Delaware limited partnership (the "Borrower"), the Banks and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Banks have severally agreed to make Loans to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, Loral Corporation ("Loral") has guaranteed payment of the Obligations (as hereinafter defined) pursuant to the Guarantee dated as of December 15, 1995 (the "Loral Guarantee") by Loral in favor of the Administrative Agent;

WHEREAS, the Guarantor and Loral have entered into an Agreement and Plan of Merger, dated as of January 7, 1996 (the "Merger Agreement"), pursuant to which a subsidiary of the Guarantor, contemporaneously with the execution of this Guarantee is acquiring, on a fully diluted basis, at least two thirds of the outstanding shares of common stock of Loral;

WHEREAS, in accordance with the terms and conditions of the Merger Agreement, contemporaneously with the execution of the Merger Agreement, Loral, Guarantor, and certain subsidiaries of Loral entered into a Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996 (the "Distribution Agreement");

WHEREAS, pursuant to the Distribution Agreement Loral is contributing certain assets to Loral Telecommunications Acquisition, Inc. (together with its successors, "Spinco") and Spinco is assuming certain obligations of Loral such that Spinco and its subsidiaries thereafter will own substantially all of the space and satellite related assets, liabilities and businesses and certain other assets of Loral;

WHEREAS, the Distribution Agreement, among other things, contemplates that following consummation of the tender offer provided for in the Merger Agreement, Loral will distribute

shares of common stock of Spinco to the stockholders of Loral, and that Loral and Spinco will take certain actions in respect of the Credit Agreement and the Loral Guarantee, including the execution of the amendment to the Credit Agreement being entered into contemporaneously with this Guarantee ("Amendment No. 1");

WHEREAS, the Distribution Agreement contemplates that under certain circumstances the Guarantor will enter into this Guarantee;

WHEREAS, it is a condition precedent to the execution of Amendment No. 1 to the Credit Agreement that the Guarantor shall have executed and delivered this Guarantee to the Administrative Agent for the ratable benefit of the Banks;

WHEREAS, in order to induce Loral to enter into the Merger Agreement and the Distribution Agreement and to consummate the transactions contemplated thereby, the Guarantor agreed, under certain circumstances, to enter into this Guarantee;

WHEREAS, the Guarantor, as a result of the consummation of the tender offer contemplated by the Merger Agreement, contemporaneously with the execution of this Guarantee is becoming the parent company of Loral, Loral is acquiring a substantial equity interest in Spinco, and a Subsidiary of Spinco is the sole managing general partner in the Borrower;

WHEREAS, in order to induce the Administrative Agent and the Banks to terminate the Loral Guarantee, the Guarantor has agreed to execute and deliver this Guarantee;

WHEREAS, it is a condition precedent to the obligation of the Banks to make their respective Loans to the Borrower under the Credit Agreement that the Guarantor shall have executed and delivered this Guarantee to the Administrative Agent for the ratable benefit of the Banks; and

WHEREAS, the Guarantor directly or indirectly owns a substantial interest in the Borrower, and it is to the advantage of the Guarantor that the Banks continue to make the Loans available to the Borrower.

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Banks to enter into Amendment No. 1 to the Credit Agreement and to induce the Banks to continue to make their respective Loans available to the Borrower under the Credit Agreement and to terminate the Loral Guarantee, the Guarantor hereby agrees with the Administrative Agent, for the ratable benefit of the Banks, as follows:

1. Defined Terms. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

(a) As used herein, "Obligations" means the collective reference to the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent and the Banks (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Loans and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement or the Notes, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all reasonable fees and disbursements of counsel to the Administrative Agent or to the Banks that are required to be paid by the Borrower or the Guarantor pursuant to the terms of the Credit Agreement or this Agreement). Notwithstanding the foregoing, the aggregate principal amount of the Loans that shall constitute Obligations hereunder shall be limited to $250,000,000, the interest on the Loans that shall constitute Obligations hereunder shall be limited to interest on $250,000,000 and the commitment fees under Section 2.5 of the Credit Agreement that shall constitute Obligations shall be commitment fees that accrue on the first $250,000,000 of the aggregate Commitments. If the Commitments under the Credit Agreement are voluntarily reduced pursuant to Section 2.6(a) thereof, then the obligations of the Guarantor under this Guarantee shall not be increased upon subsequent increase in the Commitments under the Credit Agreement.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Guarantee shall refer to this Guarantee as a whole and not to any particular provision of this Guarantee, and section and paragraph references are to this Guarantee unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

2. Guarantee. (a) The Guarantor hereby unconditionally and irrevocably guarantees to the Administrative Agent, for the ratable benefit of the Banks and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the

stated maturity, by acceleration or otherwise) of the Obligations.

(a) The Guarantor further agrees to pay any and all expenses (including, without limitation, all reasonable fees and disbursements of counsel) which may be paid or incurred by the Administrative Agent or any Bank in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, the Guarantor under this Guarantee. This Guarantee shall remain in full force and effect until the Obligations are paid in full and the Commitments are terminated, notwithstanding that from time to time prior thereto the Borrower may be free from any Obligations, subject to the provisions of Sections 2(e) and (f) of this Guarantee.

(b) No payment or payments made by the Borrower or any other Person or received or collected by the Administrative Agent or any Bank from the Borrower or any other Person by virtue of any action or proceeding or any set-off or appropriation or application, at any time or from time to time, in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder which liability shall continue, notwithstanding any such payment or payments, until the Obligations are paid in full and the Commitments are terminated, subject to Sections 2(e) and (f) of this Guarantee.

(c) The Guarantor agrees that whenever, at any time, or from time to time, it shall make any payment to the Administrative Agent or any Bank on account of its liability hereunder, it will notify the Administrative Agent and such Bank in writing that such payment is made under this Guarantee for such purpose.

(d) Section 2.2 of the Credit Agreement sets forth the terms on which the obligations of the Guarantor under this Guarantee may be reduced and increased and certain other arrangements with respect to this Guarantee and other matters. Each of the Guarantor and the Banks acknowledges and agrees to the provisions of Section 2.2 and to be bound by the provisions thereof. No amendment of Section 2.2 of the Credit Agreement shall be effective as to the Guarantor without its consent.

(e) This Guarantee shall terminate, and the obligations of the Guarantor hereunder (including under Sections 9 and 10 hereof) shall be released, on the Release Date.

3. [INTENTIONALLY OMITTED].

4. Limitation on Rights of Subrogation. Notwithstanding any payment or payments made by the Guarantor hereunder, or any set-off or application of funds of the Guarantor by the

Administrative Agent or any Bank, the Guarantor shall not be entitled to be subrogated to any of the rights of the Administrative Agent or any Bank against the Borrower or against any collateral security or guarantee or right of offset held by the Administrative Agent or any Bank for the payment of the Obligations, nor shall the Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower in respect of payments made by the Guarantor hereunder, until all amounts owing to the Administrative Agent and the Banks by the Borrower on account of the Obligations are paid in full and the Commitments are terminated. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by the Guarantor in trust for the Administrative Agent and the Banks, segregated from other funds of the Guarantor, and shall, forthwith upon receipt by the Guarantor, be turned over to the Administrative Agent in the exact form received by the Guarantor (duly indorsed by the Guarantor to the Administrative Agent, if required), to be applied against the Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

5. Amendments, etc. with respect to the Obligations; Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor, and without notice to or further assent by the Guarantor, (a) any demand for payment of any of the Obligations made by the Administrative Agent or any Bank may be rescinded by the Administrative Agent or such Bank, and any of the Obligations continued, (b) the Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may from time to time, in whole or in part (without limiting the rights of the Guarantor under Section 10.1 of the Credit Agreement), be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Bank, (c) without limiting the rights of the Guarantor under Section 10.1 of the Credit Agreement, the Credit Agreement, any Notes, and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Banks, Majority Banks or Banks, as the case may be) may deem advisable from time to time, and (d) any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Bank for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Bank shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Guarantee or any property subject thereto. Subject to Section 2.2 of the Credit Agreement, when making any demand hereunder against the Guarantor, the Administrative Agent or any Bank may, but shall be under no obligation to, make a similar demand on the Borrower or

any other guarantor, and any failure by the Administrative Agent or any Bank to make any such demand or to collect any payments from the Borrower or any such other guarantor or any release of the Borrower or such other guarantor shall not relieve the Guarantor of its obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Administrative Agent or any Bank against the Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

6. Guarantee Absolute and Unconditional. Without limiting the rights of the Guarantor under Sections 2.2, 2.6 and 10.1 of the Credit Agreement, the Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligations and notice of or proof of reliance by the Administrative Agent or any Bank upon this Guarantee or acceptance of this Guarantee; the Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guarantee; and all dealings between the Borrower or the Guarantor, on the one hand, and the Administrative Agent and the Banks, on the other, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. The Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or the Guarantor with respect to the Obligations. This Guarantee shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (a) the validity, regularity or enforceability of the Credit Agreement, any Note, or any other Loan Document, any of the Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Bank, (b) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower against the Administrative Agent or any Bank, or (c) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or the Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Obligations, or of the Guarantor under this Guarantee, in bankruptcy or in any other instance. Subject to Section 2.2 of the Credit Agreement, when pursuing its rights and remedies hereunder against the Guarantor, the Administrative Agent and any Bank may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Borrower or any other Person or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Bank to pursue such other rights or remedies or to collect any payments from the Borrower or any such other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower or any such other Person or of any such collateral security,

guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Bank against the Guarantor. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and its successors and assigns thereof, and shall inure to the benefit of the Administrative Agent and the Banks, and their respective successors, indorsees, transferees and assigns, until all the Obligations and the obligations of the Guarantor under this Guarantee shall have been satisfied by payment in full and the Commitments shall be terminated, subject to the provisions of Sections 2(e) and (f) of this Guarantee and notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Obligations. The Guarantor shall not be released from its obligations under this Guarantee because of the failure of any other Guarantor (as defined in the Credit Agreement) to perform its obligations under its Guarantee (as defined in the Credit Agreement).

7. Reinstatement. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Bank upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any substantial part of its property, or otherwise, all as though such payments had not been made.

8. Payments. The Guarantor hereby agrees that the Obligations will be paid to the Administrative Agent without set-off or counterclaim in U.S. Dollars at the office of the Administrative Agent located at 270 Park Avenue, New York, New York 10017.

9. Representations and Warranties. The Guarantor hereby makes, for the benefit of the Administrative Agent and the Banks, all of the representations and warranties of the Guarantor made in ARTICLE IV of the Revolving Credit Agreement (Five Year) dated as of April 15, 1996, among the Guarantor, LAC Acquisition Corporation, as guarantor, Morgan Guaranty Trust Company of New York, as Documentation Agent, Bank of America National Trust and Savings Association, as Administrative Agent, and the several Banks named therein (the "Lockheed Martin Credit Agreement"), in the form of such representations and warranties (including all defined terms referred to therein) as they exist on the date of this Guarantee. Unless otherwise stated in this Guarantee, all capitalized terms in this Section 9 shall have the meanings set forth in the Lockheed Martin Credit Agreement. Such representations and warranties (including all defined terms and schedules referred to therein) are hereby, mutatis mutandis,

incorporated herein by reference with appropriate substitutions, including the following:

(i) the terms "Company" and "Banks" or "Agents" as they appear in ARTICLE IV of the Lockheed Martin Credit Agreement (and related defined terms) shall, for the purposes of this Section 9, be replaced by the terms "Guarantor" and "Administrative Agent," respectively;

(ii) references to the "Guarantor" as they appear in ARTICLE IV of the Lockheed Martin Credit Agreement (and related defined terms) shall, for purposes of this Section 9, be deleted and of no effect;

(iii) the phrase "Agreement and any Notes," each reference to "this Agreement" and to the words "herein" and "hereunder," each reference to "Notes", the phrase "financing contemplated hereby" and similar words and phrases as they appear in ARTICLE IV of the Lockheed Martin Credit Agreement (and related defined terms) shall be replaced by the word "Guarantee" and deemed to be references to this Guarantee and the term "Banks" in ARTICLE IV of the Lockheed Martin Credit Agreement shall refer to the Banks party to the Credit Agreement;

(iv) Section 4.03 of the Lockheed Martin Credit Agreement shall be replaced in its entirety by the following:

"The Guarantor has the corporate power and authority and the legal right to make, deliver and perform this Guarantee and has taken all necessary corporate action to authorize the execution, delivery and performance of this Guarantee. No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee, other than those which have been obtained or made and are in full force and effect. This Guarantee has been duly executed and delivered on behalf of the Guarantor. This Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor's rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or law)."; and

(v) The clause beginning with ";" at the end of Section 4.01 and Sections 4.06, 4.07 and 4.10 of the Lockheed Martin Credit Agreement, are deleted for purposes of the Guarantee only.

The Guarantor agrees that the foregoing representations and warranties shall be deemed to have been made by the Guarantor on the date on which this Guarantee is executed and delivered to the Administrative Agent.

10. Covenants. The Guarantor hereby covenants and agrees with the Administrative Agent and the Banks that, until the Obligations are paid in full and the Commitments are terminated, it will perform all of the covenants and agreements of the Guarantor contained in ARTICLE V of the Lockheed Martin Credit Agreement, as such covenants and related defined terms exist as of the date hereof and as they may hereafter be amended from time to time (but without giving effect to any termination, cancellation, discharge or replacement of the Lockheed Martin Credit Agreement, it being agreed that such covenants and agreements shall survive any such event). Unless otherwise stated in this Guarantee, all capitalized terms in this Section 10 shall have the meaning set forth in the Lockheed Martin Credit Agreement. Such covenants (including all defined terms referred to therein) are hereby, mutatis mutandis, incorporated herein by reference with appropriate substitutions, including the following:

(i) the terms "Company" and "Administrative Agent" or "Documentation Agent" as they appear in ARTICLE V of the Lockheed Martin Credit Agreement (and related defined terms) shall, for the purposes of this Section 10, be replaced by the terms "Guarantor" and "Administrative Agent," respectively;

(ii) the terms "Bank" or "Banks" as they appear in ARTICLE V of the Lockheed Martin Credit Agreement (and related defined terms) shall, for the purpose of this Section 10, refer to the Banks party to the Credit Agreement;

(iii) the terms "Agreement" and "Notes" as they appear in ARTICLE V of the Lockheed Martin Credit Agreement shall be replaced by the term "Guarantee", and each reference in ARTICLE V of the Lockheed Martin Credit Agreement to "this Agreement" and to the words "herein" and "hereunder" and similar words and phrases shall be deemed to be references to this Guarantee;

(iv) the term "Default" as it appears in ARTICLE V shall be deemed to include Defaults under the Lockheed Martin Credit Agreement and defaults by the Guarantor under this Guarantee;

(v) the phrase "so long as any Commitments of the Banks shall be outstanding and until the payment in full of all Loans outstanding under this Agreement and the performance of all other obligations of the Company under this Agreement" in the introductory language in ARTICLE V shall be replaced with the phrase "until payment in full of all amounts owed by the Guarantor under this Guarantee and the termination of this Guarantee";

(vi) references to the "Guarantor" as they appear in ARTICLE V (other than Section 5.04 thereof) of the Lockheed Martin Credit Agreement (and related defined terms) shall, for purposes of this
Section 10, be deleted and of no effect;

(vii) Section 5.01(d) and Section 5.10 of the Lockheed Martin Credit Agreement are deleted for purposes of this Guarantee only; and

(viii) the reference to "Loans" in Section 5.08(i) of the Lockheed Martin Credit Agreement shall be deemed to be a reference to the obligations of the Guarantor under this Guarantee.

11. Events of Default. The occurrence of the following shall constitute an Event of Default under this Guarantee:

(a) Subject to the delivery of any required notice, the passage of applicable grace periods, and the failure to cure any default, each as provided in the Lockheed Martin Credit Agreement, the Guarantor shall default in the observance or performance of any agreement or covenant contained in Section 10 hereof; or

(b) Any Material Debt (as such term is defined in the Lockheed Martin Credit Agreement) shall become due before stated maturity by the acceleration of the maturity thereof by reason of default, or any Material Debt shall become due by its terms and shall not be paid and, in the case aforesaid in this clause
(b), corrective action satisfactory to the Required Banks shall not have been taken within five days after written notice of the situation shall have been given to the Guarantor by the Administrative Agent at the request of the Required Banks.

12. Authority of Administrative Agent. The Guarantor acknowledges that the rights and responsibilities of the Administrative Agent under this Guarantee with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Guarantee shall, as between the Administrative Agent and the Banks, be governed by the Credit

Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Guarantor, the Administrative Agent shall be conclusively presumed to be acting as agent for the Banks with full and valid authority so to act or refrain from acting, and the Guarantor shall not be under any obligation, or entitlement, to make any inquiry respecting such authority.

13. Notices. All notices, requests and demands to or upon the Administrative Agent, any Bank or the Guarantor to be effective shall be in writing (or by telex, fax or similar electronic transfer confirmed in writing) and shall be deemed to have been duly given or made (1) when delivered by hand or (2) if given by mail, when deposited in the mails by certified mail, return receipt requested, or (3) if by telex, fax or similar electronic transfer, when sent and receipt has been confirmed, addressed as follows:

(a) if to the Administrative Agent or any Bank, at its address or transmission number for notices provided in Section 11.2 of the Credit Agreement; and

(b) if to the Guarantor, at its address or transmission number for notices set forth under its signature below.

The Administrative Agent, each Bank and the Guarantor may change its address and transmission numbers for notices by notice in the manner provided in this Section.

14. Severability. Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

15. Integration. This Guarantee (including the portions of the Lockheed Martin Credit Agreement incorporated herein by reference), the Credit Agreement and the Notes represent the agreement of the Guarantor, the Administrative Agent and the Banks with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Guarantor, the Administrative Agent or any Bank relative to subject matter hereof not expressly set forth or referred to herein or in such other documents.

16. Amendments in Writing; No Waiver; Cumulative Remedies. (a) None of the terms or provisions of this Guarantee may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the Guarantor and the Administrative Agent, provided that (i) such waiver, amendment, supplement or other modification is consented to by the Required Banks and (ii) such waiver may be communicated by the

Administrative Agent and the Banks in a letter or agreement executed by the Administrative Agent or by telex or facsimile transmission from the Administrative Agent. The Administrative Agent and the Banks acknowledge that the provisions of the Lockheed Martin Credit Agreement incorporated by reference in this Guarantee pursuant to Sections 9 and 10 hereunder may be amended from time to time in accordance with the terms of the Lockheed Martin Credit Agreement, without any action or approval of the Banks (except to the extent that the provisions of the Lockheed Martin Credit Agreement incorporated by reference pursuant to Section 10 hereunder survive any termination, cancellation, discharge or replacement of the Lockheed Martin Credit Agreement).

(b) Neither the Administrative Agent nor any Bank shall by any act (except by a written instrument pursuant to paragraph 16(a) hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Bank, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Bank of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Bank would otherwise have on any future occasion.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

17. Section Headings. The section headings used in this Guarantee are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

18. Successors and Assigns. This Guarantee shall be binding upon the permitted successors and assigns of the Guarantor and shall inure to the benefit of the Administrative Agent and the Banks and their successors and assigns. The Guarantor may not transfer or assign any of its rights or obligations under this Guarantee without the written consent of each Bank, except in accordance with Sections 5.04 and 5.07 of the Lockheed Martin Credit Agreement as incorporated by reference pursuant to Section 10, it being acknowledged that any such successor shall assume all of the obligations of the Guarantor under the Lockheed Martin Credit Agreement and this Guarantee. Any Person so assuming such obligations shall deliver to the Banks legal opinions, incumbency certificates and resolutions comparable to those delivered in connection with this Guarantee

and shall make representations and warranties to the Banks comparable to those set forth in Section 9.

19. Governing Law. This Guarantee shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

20. Submission To Jurisdiction; Waivers. The Guarantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Guarantee and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Guarantor at its address set forth under its signature below or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

21. Acknowledgements. The Guarantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Guarantee;

(b) neither the Administrative Agent nor any Bank has any fiduciary relationship with or duty to the Guarantor arising out of or in connection with this Guarantee or any of the other Loan Documents, and the relationship between Administrative Agent and Banks, on one hand, and the Guarantor, on the other

hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Guarantor and the Lenders.

22. WAIVERS OF JURY TRIAL. THE GUARANTOR, THE ADMINISTRATIVE AGENT AND THE BANKS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be duly executed and delivered by its duly authorized officer as of the day and year first above written.

LOCKHEED MARTIN CORPORATION

By: /s/Walter E. Skowronski

Title:

Walter E. Skowronski Vice President and Treasurer

Address for Notices:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Vice President and Treasurer
Fax: 301-897-6651

with a copy to:
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Vice President and General Counsel
Fax: 301-897-6333

EXHIBIT 21

LORAL SPACE & COMMUNICATIONS LTD.

As of May 31, 1996, active subsidiaries, all 100% owned directly or indirectly (except as noted below) consist of the following:

	STATE OR COUNTRY OF INCORPORATION
Loral SpaceCom Corporation	Delaware
Loral General Partner, Inc.	Delaware
Loral Travel Services, Inc.	Delaware
Globalstar, L.P.(1)	Delaware
Globalstar Telecommunications Limited(2)	Bermuda
LGP (Bermuda) Ltd.	Bermuda
LQ Licensee, Inc.(3)	Delaware
Loral SpaceCom DBS Holdings, Inc.	Delaware
R/L DBS Company L.L.C.(4)	Delaware
Loral SpaceCom DBS, Inc.	Delaware
Continental Satellite Corporation(5)	California
SS/L (Bermuda) Ltd.	Bermuda
K&F Industries, Inc.(6)	Delaware
Space Systems/Loral, Inc.(3)	Delaware
International Space Technology, Inc.(7)	Delaware
Cosmotech(7)	Russian Federation
SS/L Export Corporation(3)	U.S. Virgin Islands

(1) Only 33.6% owned directly or indirectly
(2) Only 22% owned directly or indirectly
(3) Only 51% owned directly or indirectly
(4) Only 50% owned directly or indirectly
(5) Only 86% owned directly or indirectly
(6) Only 22.5% owned directly or indirectly
(7) Only 22.9% owned directly or indirectly

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF LORAL COMMUNICATIONS, LTD. FOR THE YEAR ENDED MARCH 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1000

PERIOD TYPE	12 MOS
FISCAL YEAR END	MAR 31 1996
PERIOD END	MAR 31 1996
CASH	12
SECURITIES	0
RECEIVABLES	0
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	12
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	12
CURRENT LIABILITIES	0
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	0
OTHER SE	12
TOTAL LIABILITY AND EQUITY	12
SALES	0
TOTAL REVENUES	0
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	0
INCOME TAX	0
INCOME CONTINUING	0
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	0
EPS PRIMARY	0
EPS DILUTED	0

End of Filing

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