SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1
TENDER OFFER STATEMENT PURSUANT TO SECTION
14(D)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

LORAL CORPORATION
(NAME OF SUBJECT COMPANY)

LOCKHEED MARTIN CORPORATION
LAC ACQUISITION CORPORATION
(BIDDERS)

COMMON STOCK, PAR VALUE $0.25
(Title of class of securities)

543859 10 2
(CUSIP number of class of securities)

FRANK H. MENAKER, ESQ.
LOCKHEED MARTIN CORPORATION
6801 ROCKLEDGE DRIVE
BETHESDA, MARYLAND 20817
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO
RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF BIDDERS)

with a copy to:

PETER ALLAN ATKINS, ESQ.
LOU R. KLING, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
TELEPHONE: (212) 735-3000

Transaction valuation*: $6,999,585,294	Amount of filing fee**: $1,399,917

* For purposes of calculating the filing fee only. This calculation assumes the purchase of all outstanding shares of Common Stock, par value $0.25 per share, of Loral Corporation at $38.00 net per share in cash.

** The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate value of cash offered by LAC Acquisition Corporation for such shares.

[_]Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: Not applicable. Filing Party: Not applicable.
Form or Registration No.: Not applicable. Dated Filed: Not applicable.

Exhibit Index is located on page 9.

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
Lockheed Martin Corporation (52-1893632)

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
[_] (a)_____
[_] (b)_____

3. SEC USE ONLY_____

4. SOURCES OF FUNDS BK,00

5. [_] CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) OR 2(f)

6. CITIZENSHIP OR PLACE OF ORGANIZATION MARYLAND

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
Not applicable.

8. [_] CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)_____

10. TYPE OF REPORTING PERSON HC

1. NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON
LAC ACQUISITION CORPORATION 13-3866371

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP
[_] (a)_____
[_] (b)_____

3. SEC USE ONLY_____

4. SOURCES OF FUNDS AF

5. [_] CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) OR 2(f)

6. CITIZENSHIP OR PLACE OF ORGANIZATION NEW YORK

7. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON Not applicable.

8. [_] CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES

9. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)_____

10. TYPE OF REPORTING PERSON CO

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is Loral Corporation, a New York corporation. The address of the Company's principal executive offices is 600 Third Avenue, New York, New York 10016.

(b) This Statement on Schedule 14D-1 relates to the offer by LAC Acquisition Corporation (the "Purchaser"), a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), to purchase all outstanding shares of common stock (the "Common Stock"), par value $0.25 per share, of Loral Corporation, a New York corporation (the "Company"), and the associated preferred stock purchase rights (the "Rights"; and together with the Common Stock, the "Shares"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 12, 1996, and in the related Letter of Transmittal (which together constitute the "Offer"), at a purchase price of $38.00 per share, net to the seller in cash. Parent was incorporated in Maryland in 1994 and the Purchaser was incorporated in New York in 1995. At December 31, 1995, 173,068,379 Shares of the Common Stock were outstanding and 11,131,234 Shares were issuable prior to Expiration Date. The information set forth in the Introduction of the Offer to Purchase annexed hereto as Exhibit (a) (1) is incorporated herein by reference.

(c) The information set forth in Section 6 ("Price Range of Shares; Dividends") of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d); (g) This Statement is being filed by the Purchaser and Parent. The information set forth in Section 8 ("Certain Information Concerning the Purchaser and Parent") of the Offer to Purchase and Schedule I thereto is incorporated herein by reference.

(e) and (f) During the last five years, neither the Purchaser, Parent, nor any persons controlling the Purchaser, nor, to the best knowledge of the Purchaser or Parent, any of the persons listed on Schedule I to the Offer to Purchase, (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, Federal or State securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a)-(b) The information set forth in the Introduction, Section 8 ("Certain Information Concerning the Purchaser and Parent"), Section 10 ("Background of the Offer; the Merger Agreement; the Spin-Off; the Rights Agreement") and Section 11 ("Purpose of the Offer, the Merger and the Spin-Off; Plans for the Company") of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) The information set forth in Section 9 ("Source and Amounts of Funds") of the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(e) The information set forth in the Introduction and Sections 10 ("Background of the Offer; the Merger Agreement; the Spin-Off; the Rights Agreement") and 11 ("Purpose of the Offer, the Merger and the Spin-Off; Plans for the Company") of the Offer to Purchase is incorporated herein by reference.

(f)-(g) The information set forth in Section 12 ("Effect of the Offer on the Market for the Shares; Stock Exchange Listing; Registration under the Exchange Act") of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) The information set forth in the Introduction and Section 8 ("Certain Information Concerning the Purchaser and Parent") of the Offer to Purchase is incorporated herein by reference.

(b) The information set forth in Section 8 ("Certain Information Concerning the Purchaser and Parent") of the Offer to Purchase and Schedule II thereto is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the Introduction and Sections 8 ("Certain Information Concerning the Purchaser and Parent"), 10 ("Background of the Offer; the Merger Agreement; the Spin-Off; the Rights Agreement") and 11 ("Purpose of the Offer, the Merger and the Spin-Off; Plans for the Company") of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the Introduction and Section 17 ("Fees and Expenses") of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in Section 8 ("Certain Information Concerning the Purchaser and Parent") of the Offer to Purchase is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(a) The information set forth in Section 10 ("Background of the Offer; the Merger Agreement; the Spin-Off; the Rights Agreement") of the Offer to Purchase is incorporated herein by reference.

(b)-(c) The information set forth in the Introduction and Sections 11 ("Purpose of the Offer, the Merger and the Spin-Off; Plans for the Company") and 16 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in Sections 12 ("Effect of the Offer on the Market for Shares; Stock Exchange Listing; Registration under the Exchange Act") and 16 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(e) The information set forth in Section 16 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, is incorporated herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a) (1) Offer to Purchase, dated January 12, 1996.
(2) Letter of Transmittal.
(3) Notice of Guaranteed Delivery.

(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(7) Text of Press Release dated January 8, 1996.
(8) Form of Summary Advertisement dated January 11, 1996.

(b) (1) Commitment Letter between Morgan Guaranty Trust Company of New York, J.P. Morgan Securities Inc. and Lockheed Martin Corporation dated January 5, 1996.
(2) Commitment Letter between BA Securities Inc., Bank of America National Trust and Savings Association and Lockheed Martin Corporation dated January 5, 1996.
(3) Commitment Letter between Citicorp Securities Inc. and Lockheed Martin Corporation dated January 5, 1996.
(4) "Highly Confident" letter between J.P. Morgan Securities Inc. and Lockheed Martin Corporation dated January 7, 1996.

(c) (1) Confidentiality and Standstill Agreement dated December 4, 1995 between Lockheed Martin Corporation and Loral Corporation.
(2) Agreement and Plan of Merger, dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation.
(3) Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, by and among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner Inc., Loral Globalstar, L.P., Loral Globalstar Limited, Loral Telecommunications Acquisition, Inc. (to be renamed "Loral Space & Communications Ltd." and Lockheed Martin Corporation.
(4) Form of Stockholders Agreement, to be entered into following the date hereof, by and among Loral Corporation and Loral Space & Communications Corporation.
(5) Form of Tax Sharing Agreement, to be entered into following the date hereof, by and among Loral Corporation, Loral Telecommunications Acquisition, Inc., Lockheed Martin Corporation and LAC Acquisition Corporation.
(6) Form of Employment Protection Agreement of Loral Corporation.
(7) Employment Protection Plan of Loral Corporation.
(8) Supplemental Severance Program of Loral Corporation.
(9) Supplemental Bonus Program of Loral Corporation.
(10) Supplemental Executive Retirement Plan of Loral Corporation.

(d) Not applicable.
(e) Not applicable.
(f) None.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January , 1996

LOCKHEED MARTIN CORPORATION

By:_____
Name:
Title:

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January , 1996

LAC ACQUISITION CORPORATION

By:_____
Name:
Title:

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGE
(a) (1)	Offer to Purchase, dated January 12, 1996.	
(2)	Letter of Transmittal.	
(3)	Notice of Guaranteed Delivery.	
(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(6)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.	
(7)	Text of Press Release dated January 8, 1996.	
(8)	Form of Summary Advertisement dated January 11, 1996.	
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(2)	Commitment Letter between BA Securities Inc., Bank of America National Trust and Savings Association and Lockheed Martin Corporation dated January 5, 1996.	
(3)	Commitment Letter between Citicorp Securities Inc. and Lockheed Martin Corporation dated January 5, 1996.	
(4)	"Highly Confident" letter between J.P. Morgan Securities Inc. and Lockheed Martin Corporation dated January 7, 1996.	
(c) (1)	Confidentiality and Standstill Agreement dated December 4, 1995 between Lockheed Martin Corporation and Loral Corporation.	
(2)	Agreement and Plan of Merger, dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation.	
(3)	Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, by and among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner Inc., Loral Globalstar, L.P., Loral Globalstar Limited, Loral Telecommunications Acquisition, Inc. (to be renamed "Loral Space & Communications Ltd." and Lockheed Martin Corporation.	
(4)	Form of Stockholders Agreement, to be entered into following the date hereof, by and among Loral Corporation and Loral Space & Communications Corporation.	
(5)	Form of Tax Sharing Agreement, to be entered into following the date hereof by and among Loral Corporation, Loral Telecommunications Acquisition, Inc., Lockheed Martin Corporation and LAC Acquisition Corporation.	
(6)	Form of Employment Protection Agreement of Loral Corporation.	
(7)	Employment Protection Plan of Loral Corporation.	
(8)	Supplemental Severance Program of Loral Corporation.	
(9)	Supplemental Bonus Program of Loral Corporation.	
(10)	Supplemental Executive Retirement Plan of Loral Corporation.	
(d)	Not applicable.	
(e)	Not applicable.	
(f)	None.	

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
LORAL CORPORATION
AT
$38.00 NET PER SHARE
BY
LAC ACQUISITION CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
LOCKHEED MARTIN CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 9, 1996, UNLESS THE OFFER IS EXTENDED. LAC ACQUISITION CORPORATION HAS AGREED, SUBJECT TO THE TERMS AND CONDITIONS OF THE OFFER, TO EXTEND THE OFFER UNTIL IMMEDIATELY AFTER THE TIME OF THE SPIN-OFF RECORD DATE (AS DEFINED BELOW).

THE OFFER IS BEING MADE AS A PART OF A SERIES OF TRANSACTIONS THAT ARE EXPECTED TO RESULT IN (I) THE DISTRIBUTION TO THE STOCKHOLDERS OF LORAL CORPORATION (THE "COMPANY") OF SHARES OF STOCK IN LORAL SPACE & COMMUNICATIONS LTD., A NEWLY-FORMED BERMUDA COMPANY ("LORAL SPACE" OR "SPINCO"), THAT WILL OWN AND MANAGE SUBSTANTIALLY ALL OF THE COMPANY'S SPACE AND SATELLITE TELECOMMUNICATIONS INTERESTS, INCLUDING THE COMPANY'S DIRECT AND INDIRECT INTERESTS IN GLOBALSTAR, L.P. ("GLOBALSTAR") AND SPACE SYSTEMS/LORAL, INC. ("SS/L") AND CERTAIN OTHER ASSETS OF THE COMPANY (THE "SPIN-OFF") AND (II) THE ACQUISITION OF THE COMPANY'S DEFENSE ELECTRONICS AND SYSTEMS INTEGRATION BUSINESSES BY LOCKHEED MARTIN CORPORATION ("PARENT") PURSUANT TO THE OFFER AND MERGER DESCRIBED HEREIN.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE OFFER, THE MERGER AND THE SPIN-OFF, DETERMINED THAT THE OFFER, THE MERGER AND THE SPIN-OFF ARE FAIR TO THE STOCKHOLDERS OF THE COMPANY AND ARE IN THE BEST INTERESTS OF THE STOCKHOLDERS OF THE COMPANY, AND RECOMMENDS ACCEPTANCE OF THE OFFER AND APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE MERGER BY THE STOCKHOLDERS OF THE COMPANY.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE A NUMBER OF SHARES OF COMMON STOCK PAR VALUE $0.25 PER SHARE (INCLUDING THE ASSOCIATED RIGHTS) (COLLECTIVELY, THE "SHARES"), WHICH, WHEN ADDED TO THE SHARES THEN BENEFICIALLY OWNED BY PARENT AND ITS AFFILIATES, CONSTITUTES AT LEAST TWO-THIRDS OF THE TOTAL NUMBER OF SHARES OUTSTANDING AND TWO-THIRDS OF THE VOTING POWER OF THE SHARES THEN OUTSTANDING ON A FULLY DILUTED BASIS.

IMPORTANT

Any stockholder desiring to tender Shares should either (1) complete and sign the Letter of Transmittal (or facsimile thereof) in accordance with the instructions in the Letter of Transmittal and deliver it to the Depositary with the certificate(s) representing tendered Shares and all other required documents or tender such Shares pursuant to the procedures for book-entry transfer set forth in Section 3 or (2) request his or her broker, dealer, commercial bank, trust company or other nominee to effect the transaction for him or her. A stockholder having Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such person if he or she desires to tender such Shares.

Any stockholder who desires to tender Shares and whose certificates representing such Shares are not immediately available or who cannot comply with the procedures for book-entry transfer on a timely basis may tender such Shares pursuant to the guaranteed delivery procedure set forth in Section 3.

Questions and requests for assistance or additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal and the other tender offer materials may also be obtained from the Information Agent, the Dealer Manager or from brokers, dealers, commercial banks or trust companies.

The Dealer Manager for the Offer is:
BEAR, STEARNS & CO. INC.

January 12, 1996

TABLE OF CONTENTS

To the Holders of Common Stock of
LORAL CORPORATION:

INTRODUCTION

LAC Acquisition Corporation (the "Purchaser"), a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), hereby offers to purchase all outstanding shares of common stock (the "Common Stock"), par value $0.25 per share, of Loral Corporation, a New York corporation (the "Company"), and the associated preferred stock purchase rights (the "Rights"; and together with the Common Stock, the "Shares") at $38.00 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which together constitute the "Offer"). The Rights will be issued on January 22, 1996 pursuant to a Rights Agreement, dated as of January 10, 1996 (as amended), between the Company and The Bank of New York (the "Rights Agreement"), and will be evidenced by and trade with certificates evidencing the Common Stock. See Section 10 for a brief description of the Rights Agreement and its application to the Offer and the Merger (as hereinafter defined). Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer. The Purchaser will pay all charges and expenses of Bear, Stearns & Co. Inc. ("Bear Stearns"), which is acting as Dealer Manager for the Offer (in such capacity, the "Dealer Manager"), First Chicago Trust Company of New York (the "Depositary") and Morrow & Co. (the "Information Agent") incurred in connection with the Offer. See Section 17. For purposes of this Offer to Purchase, references to "Section" are references to a section of this Offer to Purchase, unless the context otherwise requires.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED BELOW) A NUMBER OF SHARES WHICH WHEN ADDED TO THE SHARES THEN BENEFICIALLY OWNED BY PARENT REPRESENT AT LEAST TWO-THIRDS OF THE TOTAL NUMBER OF SHARES OUTSTANDING AND TWO-THIRDS OF THE VOTING POWER OF THE SHARES OUTSTANDING ON A FULLY DILUTED BASIS (THE "MINIMUM CONDITION"). SEE SECTION 15.

THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD OF DIRECTORS" OR THE "BOARD") HAS UNANIMOUSLY APPROVED THE OFFER, THE MERGER AND THE SPIN-OFF, DETERMINED THAT THE OFFER, THE MERGER AND THE SPIN-OFF ARE FAIR TO THE STOCKHOLDERS OF THE COMPANY AND ARE IN THE BEST INTERESTS OF THE STOCKHOLDERS OF THE COMPANY, AND RECOMMENDS ACCEPTANCE OF THE OFFER AND APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE MERGER BY THE STOCKHOLDERS OF THE COMPANY.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of January 7, 1996 (the "Merger Agreement"), among Parent, the Purchaser and the Company. The Merger Agreement provides, among other things, that, upon the terms and subject to the conditions therein, as soon as practicable after the satisfaction or waiver of certain conditions, including the consummation of the Offer and the Spin-Off and the approval and adoption of the Merger Agreement by the stockholders of the Company, if required by applicable law, the Purchaser will be merged with and into the Company (the "Merger"), with the Company being the corporation surviving the Merger (the "Surviving Corporation"). Each issued and outstanding Share (other than Dissenting Shares (as hereinafter defined)) not owned by Parent, the Purchaser, the Company or any of their subsidiaries other than a Retained Subsidiary (as defined in Section 10) will be converted into and represent the right to receive $38.00 in cash or any higher price that may be paid per Share in the Offer, without interest (the "Merger Price"). See Section 10.

Following the consummation of the Offer, the Company will distribute (the "Spin-Off") common stock (the "Loral Space Shares" or "Spinco Shares") of Loral Space & Communications, Ltd. a newly-formed Bermuda company and a wholly owned subsidiary of the Company ("Loral Space" or "Spinco"), to the holders of Shares on a record date to be determined by the Board of Directors of the Company (the "Spin-Off Record

Date"), in accordance with the terms of a Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, among Parent, the Company, Loral Space and certain subsidiaries of the Company (the "Distribution Agreement"). The parties to the Distribution Agreement have agreed to use their reasonable efforts to cause the Spin-Off Record Date to be established so as to occur immediately prior to the acceptance for payment of Shares by the Purchaser pursuant to the Offer and have also agreed that in no event shall the Spin-Off Record Date be established so as to occur as of or at any time after the acceptance for payment by the Purchaser of the Shares pursuant to the Offer. As a result, a record holder of Shares who tenders Shares pursuant to the Offer (and who does not subsequently withdraw and sell such Shares) is expected to be the record holder thereof on the Spin-Off Record Date. Accordingly, in the event that Shares are accepted for payment pursuant to the Offer, such record holders will be entitled to receive, in respect of each Share tendered, $38.00 net in cash (without interest) from the Purchaser and one Loral Space Share from the Company. As a result of the Spin-Off, Loral Space will own and manage substantially all of the space and satellite telecommunications interests of the Company and its subsidiaries, including, without limitation, the Company's interests in Globalstar, L.P. ("Globalstar") and Space Systems/Loral, Inc. ("SS/L") and certain other assets of the Company. In addition, pursuant to the terms of the Distribution Agreement, cash which Parent will provide in the amount of $712,400,000, subject to adjustment under certain circumstances, will be included in the assets contributed to Loral Space by the Company in connection with the Spin-Off (the "Spinco Cash Amount"), of which $344,000,000 is being contributed by the Company to Loral Space in consideration for the acquisition by the Company of shares of preferred stock of Spinco that is convertible into 20% of Loral Space's common stock on a fully diluted basis. After the Spin-Off, the Company will continue to own and operate the defense electronics and systems integration businesses and other businesses of the Company not transferred to Loral Space (collectively, the "Retained Business") and the preferred stock referred to above. Accordingly, upon consummation of the Offer, the Spin-Off and the Merger, Parent will have acquired the Retained Business and a 20% fully-diluted equity interest in Loral Space. Consummation of the Offer is conditioned upon, among other things, the Spin-Off Record Date having been set (the "Spin-Off Condition"). The Spin-Off Record Date is not expected to occur until immediately prior to the expiration of the Offer. The Merger is conditioned upon, among other things, the Spin-Off having been consummated in all material respects. The distribution of the Loral Space Shares pursuant to the Spin-Off is conditioned upon the Purchaser having notified the Company that it is prepared to immediately accept for payment Shares tendered pursuant to the Offer. In the Merger Agreement, the Purchaser has agreed to extend the Offer to the first business day following the Spin-Off Record Date. The Company has advised Parent and the Purchaser that, prior to the time notice of the Spin-Off Record Date is given and at least ten days prior to the Expiration Date (as defined below), it expects to distribute to holders of Shares an information statement or a prospectus with respect to the business, operations and management of Loral Space (the "Information Statement"). See Section 10.

Lazard Freres & Co. LLC ("Lazard Freres"), one of the financial advisors to the Company, has delivered to the Board of Directors of the Company its written opinion that the aggregate consideration to be received by the holders of Shares in the Offer, the Merger and the Spin-Off is fair to the holders of such Shares from a financial point of view. A copy of such opinion is included with the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9"), which is being mailed to stockholders concurrently herewith, and stockholders are urged to read the opinion in its entirety for a description of the assumptions made, factors considered and procedures followed by Lazard Freres.

According to the Company, as of December 31, 1995, there were 173,068,379 Shares outstanding and 11,131,234 Shares that may be issued prior to the Expiration Date upon the exercise of stock options and other rights issued under the Company's stock option plans. As a result, the Purchaser believes that the Minimum Condition would be satisfied if at least 122,799,742 Shares are validly tendered and not withdrawn prior to the Expiration Date.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION AND SHOULD BE READ IN THEIR ENTIRETY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER; EXPIRATION DATE. Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay for all Shares that have been validly tendered prior to the Expiration

Date and not withdrawn as permitted by Section 4. The term "Expiration Date" means 12:00 Midnight, New York City time, on February 9, 1996, unless and until the Purchaser, as provided below, shall have extended the period of time for which the Offer is open, in which event the term "Expiration Date" means the latest time and date at which the Offer, as so extended by the Purchaser, shall expire. Pursuant to the Merger Agreement, the Purchaser, subject to the terms and conditions of the Offer, will extend the period of time during which the Offer is open if the Offer would otherwise expire prior to the Spin-Off Record Date or the expiration or termination of any applicable waiting period under the Antitrust Laws (as defined in Section 10 below). The Purchaser will not otherwise extend the period of time during which the Offer is open unless any of the conditions described in Section 15 shall not have been satisfied, or unless Parent reasonably determines that such extension is necessary to comply with any legal or regulatory requirements relating to the Offer or the Spin-off. The Purchaser expressly reserves the right to amend the terms and conditions of the Offer; provided that, without the consent of the Company, no amendment may be made which (i) decreases the price per Share or changes the form of consideration payable in the Offer, (ii) decreases the number of Shares sought, or (iii) imposes additional conditions to the Offer or amends the terms of the Offer in a manner materially adverse to the holders of Shares.

The Offer is subject to certain conditions set forth in Section 15, including satisfaction of the Minimum Condition, the Spin-Off Condition and the expiration or termination of any waiting period under the Antitrust Laws. If any such condition is not satisfied prior to the expiration of the Offer, the Purchaser may, subject to the terms of the Merger Agreement, (i) terminate the Offer and return all tendered Shares to tendering stockholders, (ii) extend the Offer and, subject to withdrawal rights as set forth in Section 4, retain all such Shares until the expiration of the Offer as so extended, (iii) other than as described in Section 15, waive such condition and, subject to any requirement to extend the period of time during which the Offer is open, purchase all Shares validly tendered and not withdrawn by the Expiration Date or (iv) delay acceptance for payment of (whether or not the Shares have theretofore been accepted for payment), or payment for, any Shares tendered and not withdrawn, subject to applicable law, until satisfaction or waiver of the conditions to the Offer. In the Merger Agreement, the Purchaser has agreed, subject to the conditions in Section 15 and its rights under the Offer, to accept for payment Shares as promptly as practicable following the expiration of the Offer. For a description of the Purchaser's right to extend the period of time during which the Offer is open, and to amend, delay or terminate the Offer, see Section 14.

The Company has provided or will provide (upon request of Parent or the Purchaser) the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT. Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and pay for all Shares validly tendered and not properly withdrawn by the Expiration Date as soon as practicable after the later of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in Section 15 (the "Offer Purchaser Date"). For a description of the Purchaser's right to terminate the Offer and not accept for payment or pay for Shares or to delay acceptance for payment or payment for Shares, see Section 14.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment tendered Shares when, as and if the Purchaser gives oral or written notice to the Depositary of its acceptance of the tender of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price with the Depositary, which will act as agent for the tendering stockholders for the purpose of receiving payments from the Purchaser and transmitting such payments to tendering stockholders. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares (or of a confirmation of a book-entry transfer of such Shares into the Depositary's account at one of the Book-Entry Transfer Facilities (as defined in Section 3)), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other required documents. For a

description of the procedure for tendering Shares pursuant to the Offer, see Section 3. Accordingly, payment may be made to tendering stockholders at different times if delivery of the Shares and other required documents occur at different times. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID BY THE PURCHASER ON THE CONSIDERATION PAID FOR SHARES PURSUANT TO THE OFFER, REGARDLESS OF ANY DELAY IN MAKING SUCH PAYMENT.

If the Purchaser increases the consideration to be paid for Shares pursuant to the Offer, the Purchaser will pay such increased consideration for all Shares purchased pursuant to the Offer.

The Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates the right to purchase Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Purchaser of its obligations under the Offer or prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment.

If any tendered Shares are not purchased pursuant to the Offer for any reason, or if certificates are submitted for more Shares than are tendered, certificates for such unpurchased or untendered Shares will be returned (or, in the case of Shares tendered by book-entry transfer, such Shares will be credited to an account maintained at one of the Book-Entry Transfer Facilities), without expense to the tendering stockholder, as promptly as practicable following the expiration or termination of the Offer.

3. PROCEDURE FOR TENDERING SHARES. To tender Shares pursuant to the Offer, either (a) a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by the Letter of Transmittal must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and either (i) certificates for the Shares to be tendered must be received by the Depositary at one of such addresses or (ii) such Shares must be delivered pursuant to the procedures for book-entry transfer described below (and a confirmation of such delivery received by the Depositary including an Agent's Message (as defined below) if the tendering stockholder has not delivered a Letter of Transmittal), in each case prior to the Expiration Date, or (b) the guaranteed delivery procedure described below must be complied with. The term "Agent's Message" means a message transmitted by a Book-Entry Transfer Facility to and received by the Depositary and forming a part of a book-entry confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Shares which are the subject of such book-entry confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce such agreement against such participant.

The Depositary will establish an account with respect to the Shares at each of The Depository Trust Company, Midwest Securities Trust Company and Philadelphia Depository Trust Company (collectively referred to as the "Book-Entry Transfer Facilities") for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in the system of any Book-Entry Transfer Facility may make delivery of Shares by causing such Book-Entry Transfer Facility to transfer such Shares into the Depositary's account in accordance with the procedures of such Book-Entry Transfer Facility. However, although delivery of Shares may be effected through book-entry transfer, the Letter of Transmittal (or facsimile thereof) properly completed and duly executed together with any required signature guarantees or an Agent's Message and any other required documents must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the guaranteed delivery procedure described below must be complied with. Delivery of the Letter of Transmittal and any other required documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

Except as otherwise provided below, all signatures on a Letter of Transmittal must be guaranteed by a recognized member of a Medallion Signature Guarantee Program (each, of the foregoing an "Eligible Institution"). Signatures on a Letter of Transmittal need not be guaranteed (a) if the Letter of Transmittal is signed by the registered holder of the Shares tendered therewith and such holder has not completed the box entitled "Special Payment Instructions" on the Letter of Transmittal or (b) if such Shares are tendered for the account of an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.

If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates evidencing such Shares are not immediately available or such stockholder cannot deliver such Shares and all other required documents to the Depositary by the Expiration Date, or such stockholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Shares may nevertheless be tendered if all of the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery substantially in the form provided by the Purchaser is received by the Depositary (as provided below) by the Expiration Date; and

(iii) the certificates for such Shares (or a confirmation of a book-entry transfer of such Shares into the Depositary's account at one of the Book-Entry Transfer Facilities), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof) with any required signature guarantee or an Agent's Message and any other documents required by the Letter of Transmittal, are received by the Depositary within five New York Stock Exchange, Inc. ("NYSE") trading days after the date of execution of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, telex, facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in such Notice.

THE METHOD OF DELIVERY OF SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING THROUGH BOOK-ENTRY TRANSFER FACILITIES, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF CERTIFICATES FOR SHARES ARE SENT BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED.

Under the federal income tax laws, the Depositary will be required to withhold 31% of the amount of any payments made to certain stockholders pursuant to the Offer. In order to avoid such backup withholding, each tendering stockholder must provide the Depositary with such stockholder's correct taxpayer identification number and certify that such stockholder is not subject to such backup withholding by completing the Substitute Form W-9 included in the Letter of Transmittal (see Instruction 10 of the Letter of Transmittal) or by filing a Form W-9 with the Depositary prior to any such payments. If the stockholder is a nonresident alien or foreign entity not subject to back-up withholding, the stockholder must give the Depositary a completed Form W-8 Certificate of Foreign Status prior to receipt of any payments.

By executing a Letter of Transmittal, a tendering stockholder irrevocably appoints designees of the Purchaser as such stockholder's proxies in the manner set forth in the Letter of Transmittal to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by the Purchaser (and any and all other Shares or other securities issued or issuable in respect of such Shares on or after January 7, 1996, other than any Loral Space Shares distributed in respect of the Shares in connection with the Spin-Off). All such proxies shall be irrevocable and coupled with an interest in the tendered Shares. Such appointment is effective only upon the acceptance for payment of such Shares by the Purchaser. Upon such acceptance for payment, all prior proxies and consents granted by such stockholder with respect to such Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given nor subsequent written consents executed by such stockholder (and, if given or executed, will be deemed ineffective). Such designees of the Purchaser will be empowered to exercise all voting and other rights of such stockholder as they, in their sole discretion, may deem proper at any annual, special or adjourned meeting of the Company's stockholders, by written consent or otherwise. The Purchaser reserves the right to require that, in order for Shares to be validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares, the Purchaser is able to exercise full voting rights with respect to such Shares and other securities (including voting at any meeting of stockholders then scheduled or acting by written consent without a meeting).

The NYSE has advised Parent and the Purchaser that it expects that commencing two business days prior to the Spin-Off Record Date and up to the date Shares are distributed pursuant to the Spin-Off, the Shares will trade on the NYSE with due bills attached. Such due bills will entitle a purchaser of a Share during such period to receive one Loral Space Share from the seller of the Share, when and if such seller receives Spinco Shares in the Distribution. If Shares are not accepted for purchase pursuant to the Offer and Spinco Shares are not issued in the Distribution, the due bills will become null and void. Due bills are separate instruments from the Shares which are the subject of the Offer; accordingly, due bills should not be tendered to the Purchaser in the Offer.

A tender of Shares pursuant to any one of the procedures described above will constitute the tendering stockholder's acceptance of the terms and conditions of the Offer, as well as the tendering stockholder's representation and warranty that such stockholder has the full power and authority to tender and assign the Shares tendered, as specified in the Letter of Transmittal. The Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering stockholder and the Purchaser upon the terms and subject to the conditions of the Offer.

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. The Purchaser reserves the absolute right to reject any or all tenders of Shares determined by it not to be in proper form or the acceptance for payment of or payment for which may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right to waive any defect or irregularity in any tender of Shares. No tender of Shares will be deemed to have been properly made until all defects and irregularities relating thereto have been cured or waived. The Purchaser's interpretation of the terms and conditions of the Offer in this regard will be final and binding. None of the Purchaser, Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in tenders or incur any liability for failure to give any such notification.

4. WITHDRAWAL RIGHTS. Tenders of Shares made pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn after March 11, 1996 unless theretofore accepted for payment as provided in this Offer to Purchase.

To be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and must specify the name of the person who tendered the Shares to be withdrawn and the number of Shares to be withdrawn and the name of the registered holder of the Shares, if different from that of the person who tendered such Shares. If the Shares to be withdrawn have been delivered to the Depositary, a signed notice of withdrawal with (except in the case of Shares tendered by an Eligible Institution) signatures guaranteed by an Eligible Institution must be submitted prior to the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering stockholder) and the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn. Withdrawals may not be rescinded, and Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be retendered by again following one of the procedures described in Section 3 at any time prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by the Purchaser, in its sole discretion, which determination shall be final and binding. None of the Purchaser, Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification.

5. CERTAIN TAX CONSIDERATIONS. The following summary addresses the material federal income tax consequences to holders of Shares who sell their Shares in the Offer. The summary does not address all aspects of federal income taxation that may be relevant to particular holders of Shares and thus, for example, may not be applicable to holders of Shares who are not citizens or residents of the United States or holders of Shares who are employees and who acquired their Shares pursuant to the exercise of incentive stock options; nor does this summary address the effect of any applicable foreign, state, local or other tax laws. The discussion assumes that

each holder of Shares holds such Shares as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PRECISE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE PROPOSED TRANSACTIONS.

Tax Consequences of Receipt of Cash and Loral Space Shares. Assuming that the Purchaser accepts Shares pursuant to the Offer, and the Spin-Off and the Merger are consummated, stockholders who hold their Shares of record on the Spin-Off Record Date, and who also tender their Shares in the Offer or have such Shares exchanged for the Merger Price upon consummation of the Merger, will receive for each such Share consideration consisting of (i) one Loral Space Share and (ii) $38.00 in cash. Stockholders who hold their Shares of record on the Spin-Off Record Date, and who sell such Shares after the date as of which the Spin-Off shall be effected (the "Distribution Date") other than pursuant to the Offer or the Merger, will receive consideration consisting of (i) one Loral Space Share for each Share held on the Spin-Off Record Date and (ii) the proceeds from the sale of their Shares. In each of the above-mentioned cases, the receipt of such consideration will be a taxable transaction for federal income tax purposes.

The proper federal income tax characterization of the Spin-Off as either a dividend or as proceeds from the sale or exchange of Shares is unclear. When addressing the issue of whether a distribution from a corporation in connection with a disposition of all of the shares of that corporation is treated as sale proceeds or as an ordinary income dividend, the courts and the Internal Revenue Service ("IRS") have each reached inconsistent positions and have used inconsistent methods of analysis.

Certain authorities support treatment of the Offer, the Spin-Off and the Merger as a single integrated transaction in which a holder of Shares receives the cash in an actual exchange for a portion of such holder's Shares and receives the Loral Space Shares in a constructive redemption of such holder's remaining Shares. Parent and the Company have agreed to treat the purchase of Shares in the Offer, the Spin-Off and the Merger in accordance with this analysis for all tax purposes. If this treatment applies, a holder of Shares would recognize gain or loss equal to the difference between (i) the sum of the amount of cash plus the fair market value of the Loral Space Shares received (which fair market value generally should equal the average trading value per Loral Space Share on the Distribution Date) and (ii) such holder's adjusted tax basis for such holder's Shares. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the exchange, the stockholder has held the Shares for more than one year.

Although there are authorities supporting the view that the Loral Space Shares received in the Spin-Off should be treated as having been received in a constructive redemption of a portion of the Shares, certain other authorities support treating the receipt of the Loral Space Shares as taxable in an independent transaction. If the Spin-Off was treated as an independent transaction, the fair market value of the Loral Space Shares would be taxable to the recipient as a distribution from the Company under Section 301 of the Code. It is also possible that the portion of the value of the Loral Space Shares equal to a pro rata portion of some or all of the Loral Space Cash Amount could be treated as received in exchange for such holder's Shares, with only the remaining portion of the value of the Loral Space Shares treated as a distribution under Section 301. In either case, the cash received by a holder of Shares would still be treated as received in exchange for such holder's Shares and would be subject to tax in the manner described above.

Under Section 301 of the Code, the amount of the distribution would be taxable as a dividend for federal income tax purposes to the extent of the Company's current and accumulated earnings and profits. The amount of the distribution that exceeds such earnings and profits would first be treated as a non-taxable return of capital to the extent of the stockholder's tax basis in such stockholder's Shares, and such stockholder's tax basis in such Shares would be reduced accordingly (but not below zero), and thereafter as capital gain. The determination of a corporation's earnings and profits requires complex factual and legal analyses; moreover, the amount of a corporation's current earnings and profits cannot be determined until the close of its taxable year. Nonetheless, the Company has informed the Purchaser that the Company believes, based upon present estimates of its current and accumulated earnings and profits, that the Company's earnings and profits should exceed the amount of any such distribution. To the extent, if any, that the receipt of Loral Space Shares is treated as a dividend under the foregoing rules, certain corporate stockholders may be eligible for the "dividends received deduction" ("DRD") with respect to such dividend, subject to certain holding period and other limitations. Any such dividend received by a corporate stockholder eligible for the DRD would constitute an "extraordinary dividend" subject to the

provisions of Section 1059 of the Code if, in general, the value of the distribution, together with any other distributions received by such holder with respect to its Shares during the 85-day period preceding the Spin-Off, exceeds 10% of the holder's basis in its Shares. If Section 1059 were to apply, a corporate stockholder that has not held its Shares for a period of two years prior to the dividend announcement date would be required to reduce its basis in (thereby increasing its gain on the disposition of) such Shares by the portion of the dividend that was excluded from income by reason of the DRD.

Under current law, the maximum federal tax rate applicable to long-term capital gains recognized by an individual is 28%, and the maximum federal tax rate applicable to ordinary income (including dividends) and short-term capital gains recognized by individuals is 39.6%. The maximum federal tax rate applicable to all capital gains and ordinary income recognized by a corporation is 35%. It is possible that legislation may be enacted that would reduce the maximum federal tax rate applicable to long-term capital gains, possibly with retroactive effect. It is not possible to predict whether or in what form any such legislation may be enacted.

Regardless of whether the receipt of the Loral Space Shares is treated as a constructive redemption or a distribution under Section 301 of the Code, a holder's tax basis in the Spinco Shares generally will be equal to the fair market value of the Loral Space Shares on the Distribution Date, and such holder's holding period for the Loral Space Shares will begin on the day after the Distribution Date.

Dissenters. A holder of Shares who does not sell Shares in the Offer or the Merger and who exercises and perfects his rights under the NYBCL to demand fair value for such Shares (See Section 10) will recognize capital gain or loss (and may recognize an amount of interest income) attributable to any payment received pursuant to the exercise of such rights and may recognize capital gain or loss or dividend income on the receipt of Loral Space Shares based upon the principles described above.

Withholding. Unless a stockholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Code (and regulations promulgated thereunder), such stockholder may be subject to a "backup" withholding tax of 31% with respect to any payments received in the Offer, the Merger or as a result of the exercise of the holder's dissenters' rights. Stockholders should contact their brokers to ensure compliance with such procedures. Foreign stockholders should consult with their tax advisors regarding withholding taxes in general.

THE FOREGOING SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES IS INCLUDED HEREIN FOR GENERAL INFORMATION PURPOSES ONLY. ACCORDINGLY, EACH HOLDER OF SHARES IS URGED TO CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE OFFER, THE MERGER AND THE SPIN-OFF.

6. PRICE RANGE OF SHARES; DIVIDENDS. The Shares are listed and traded on the NYSE under the Symbol "LOR". The following table sets forth, for the calendar periods indicated, the high and low sales prices and dividends paid per share for the Shares on the NYSE as adjusted to reflect the two-for-one stock split distributed on October 7, 1993 and the two-for-one stock split distributed on September 29, 1995.

	HIGH	LOW	DIVIDEND
1993 Quarterly Summary:			
First Quarter	$14 13/32	$11 1/8	$0.063
Second Quarter	$15 1/8	$12 23/32	$0.063
Third Quarter	$16 3/8	$14 1/2	$0.070
Fourth Quarter	$19 3/8	$14 1/2	$0.070
1994 Quarterly Summary:			
First Quarter	$21 3/8	$17 15/16	$0.070
Second Quarter	$20 3/8	$16 3/4	$0.070
Third Quarter	$21 3/8	$16 3/4	$0.075
Fourth Quarter	$20 7/16	$18 11/16	$0.075
1995 Quarterly Summary:			
First Quarter	$22 3/16	$18 3/16	$0.075
Second Quarter	$26 7/16	$21 3/16	$0.075
Third Quarter	$29 5/16	$24 7/8	$0.080
Fourth Quarter	$36 1/4	$26 7/8	$0.080

The Merger Agreement prohibits the Company from declaring or paying any dividend or distribution on the Shares (other than the Spin-Off), except that the Company may declare and pay to holders of Shares regular quarterly dividends of not more than $0.08 per Share on the dividend and payment dates normally applicable to the Shares.

The closing sales price of the Shares as reported by the NYSE was $36.25 per share on January 5, 1996 and $44.00 per share on January 11, 1996, the last full day of trading prior to the first public announcement of the Offer.

STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

7. CERTAIN INFORMATION CONCERNING THE COMPANY. The Company is a New York corporation and its principal executive offices are located at 600 Third Avenue, New York, New York 10016. Through its subsidiaries and divisions, the Company is a leading supplier of advanced electronic systems, components and services to U.S. and foreign governments for defense and non-defense applications, The Company's principal business areas are: electronic combat; training and simulation; tactical weapons; command, control, communications and intelligence (C/3/I)/reconnaissance; systems integration; and telecommunications and space systems. The Company has achieved an incumbent position on a wide range of existing programs through internal growth and development and a series of acquisitions focused on its core technologies.

The Company is subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is required to file reports and other information with the Securities and Exchange Commission (the "Commission") relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company is required to be described in periodic statements distributed to the Company's stockholders and filed with the Commission. These reports, proxy statements and other information, including the Company's Annual Report on Form 10-K for the year ended March 31, 1995 (the "Company 10-K") and the Schedule 14D-9, should be available for inspection and copying at the Commission's office at 450 Fifth Street, N.W., Washington D.C. 20549, and at the regional offices of the Commission located at 75 Park Place, New York, New York 10007 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the Commission's customary fees, from the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549.

The above information concerning the Company and the information contained herein regarding the Spin-Off have been taken from or based upon the Company 10-K and other publicly available documents on file with the Commission, other publicly available information and information provided by the Company. Although neither the Purchaser nor Parent has any knowledge that would indicate that such information is untrue, neither the Purchaser nor Parent nor the Dealer Manager takes any responsibility for, or makes any representation with respect to, the accuracy or completeness of such information or for any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of any such information but which are unknown to the Purchaser or Parent or the Dealer Manager.

Summary Financial Information for the Company. The following table sets forth certain summary consolidated financial information with respect to the Company and its subsidiaries excerpted or derived from the audited financial statements contained in the Company's annual report on Form 10-K and the unaudited financial information contained in the Company's Quarterly Reports on Form 10-Q for the six months ended September 30, 1995 and 1994. More comprehensive financial information is included in such reports and other documents filed by the Company with the Commission, and the following summary is qualified in its entirety by reference to such documents (which may be inspected and obtained as described above), including the financial statements and related notes contained therein. Neither Parent nor the Purchaser nor the Dealer Manager assumes any responsibility for the accuracy of the financial information set forth below.

LORAL CORPORATION
SUMMARY FINANCIAL INFORMATION--(NOTE 1)
(IN MILLIONS)

	UNAUDITED SIX MONTHS ENDED SEPTEMBER 30,		AUDITED FROM 10-K YEARS ENDED MARCH 31,		
	1995	1994	1995	1994	1993
OPERATING DATA:					
Sales	$3,109.1	$2,690.1	$5,484.4	$4,008.7	$3,335.4
Operating Income	318.7	236.7	564.5	401.4	296.3
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting	151.3	121.2	288.4	228.3	159.1
Net Income (Loss)	151.3	121.2	288.4	228.3	(92.1)
	SEPTEMBER 30,		MARCH 31,		
	1995	1994	1995	1994	1993
BALANCE SHEET DATA:					
Total Assets	$5,827.6	$5,011.0	$4,810.3	$5,176.2	$3,228.1
Working Capital	533.8	686.5	536.6	554.4	610.5
Total Debt	1,833.3	1,559.0	1,316.5	1,798.0	534.0
Shareholders' Equity	1,859.4	1,502.8	1,687.5	1,381.3	1,187.9

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Note 1: The accompanying unaudited, consolidated, summary financial information consists of the consolidated financial information of the various businesses of the Company.

Summary Financial Information for Retained Business. The summary unaudited financial data for the Retained Business (the "Retained Business Financial Data") in the following table has been provided to Parent and the Purchaser by the Company. The Company has advised Parent and the Purchaser that the Retained Business Financial Data has been derived from the consolidated financial statements of the Company. This financial data is presented in considerably less detail than complete financial statements and does not include all of the disclosures required by generally accepted accounting principles. Neither Parent nor the Purchaser nor the Dealer Manager assumes any responsibility for the accuracy of the Retained Business Financial Statements.

RETAINED BUSINESS
SUMMARY FINANCIAL INFORMATION--(NOTE 1)
(IN MILLIONS)
(UNAUDITED)

	SIX MONTHS ENDED SEPTEMBER 30,		YEAR ENDED MARCH 31,		
	1995	1994	1995	1994	1993
OPERATING DATA:			$	$	$
Sales	$3,109.1	$2,690.1	$5,484.4	$4,008.7	$3,335.4
Operating Income	317.8	235.9	564.5	401.2	295.4
Income Before Extraordinary Item and Cumulative Effect of Changes in Accounting	159.9	118.8	296.2	231.9	164.3
Net Income (Loss)	159.9	118.8	296.2	231.9	(80.1)

	SEPTEMBER 30,		MARCH 31,		
	1995	1994	1995	1994	1993
BALANCE SHEET DATA:					
Total Assets	$5,572.5	$4,852.7	$4,558.3	$5,016.9	$3,091.1
Working Capital	511.8	686.7	531.4	551.2	606.7
Total Debt	1,833.3	1,559.0	1,316.5	1,798.0	534.0
Shareholders' Equity	1,592.1	1,344.9	1,430.3	1,218.8	1,047.1

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Note 1: The accompanying unaudited, consolidated, summary financial information consists of the consolidated financial information of the various businesses of the Company which constitute the Retained Business.

Projected Financial Information. In the course of the discussions between representatives of Parent and the Company (see Section 10), the Company provided Parent with certain projected financial data for the fiscal years ending March 31, 1996, March 31, 1997, March 31, 1998 and March 31, 1999. This data was not prepared with a view to public disclosure or compliance with published guidelines of the Commission or the guidelines established by the American Institute of Certified Public Accountants regarding projections, and is included in this Offer to Purchase only because it was provided to Parent. The Company's independent auditors have not examined, compiled or applied any procedures with respect to this data and express no opinion or any kind of assurance thereon. None of Parent, the Purchaser or the Company, or any of their respective financial advisors or the Dealer Manager assumes any responsibility for the validity, reasonableness, accuracy or completeness of this projected data. While presented with numerical specificity, this projected data is based upon a variety of assumptions relating to the businesses of the Company which may not be realized and is subject to significant uncertainties and contingencies, many of which are beyond the control of the Company and, therefore, this projected data is inherently imprecise, and there can be no assurance that projected financial results or any valuation assumed therein will be realized. It is expected that there will be a difference between actual and estimated or projected results and actual results may vary materially from those shown. The Company does not intend to update or otherwise revise this projected data prior to the consummation of the Merger. The projected financial data set forth below should be read together with the Retained Business Financial Data included above.

RETAINED BUSINESS
PROJECTED FINANCIAL INFORMATION
(IN MILLIONS)
(UNAUDITED)

	YEAR ENDING MARCH 31,			
	1996	1997	1998	1999
Sales	$6,300	$6,800	$7,300	$8,000
Operating Income	$ 703	$ 762	$ 827	$ 922
Margin on Operating Income	11.2%	11.2%	11.3%	11.5%
Free Cash Flow*	$ 600	$ 610	$ 630	$ 660

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* "Cash Flow" consists of net cash from opeerating activities, less net capital expenditures, plus proceeds of stock purchases by employee benefit plans and exercises of stock options, in each case during the year in question.

8. CERTAIN INFORMATION CONCERNING THE PURCHASER AND PARENT. The Purchaser is a newly formed New York corporation and a wholly owned subsidiary of Parent. To date, Purchaser has not conducted any business other than in connection with the Offer. Until immediately prior to the time the Purchaser purchases Shares pursuant to the Offer, it is not anticipated that the Purchaser will have any significant assets or liabilities or engage in activities other than those incident to its formation and capitalization and the transactions contemplated by the Offer. Because the Purchaser is a newly formed corporation and has minimal assets and capitalization, no meaningful financial information regarding the Purchaser is available.

Parent is a holding company for the Lockheed Corporation and the Martin Marietta Corporation and their respective subsidiaries. The businesses of Parent are organized into five major operating sectors: Aeronautics; Electronics; Energy and Environment; Information and Technology Services; and Space and Strategic Missiles. Prior to the Offer, Parent began a process designed to result in the merger of the five largest direct or indirect subsidiaries of Parent with and into Parent. These subsidiaries include Lockheed Corporation and Martin Marietta Corporation. This process is not related to the Offer and it is presently anticipated that these mergers will occur effective as of January 28, 1996. The mergers are subject to certain conditions including the approval of the Boards of Directors of the various companies involved. The principal executive offices of Parent and Purchaser are located at 6801 Rockledge Drive, Bethesda, Maryland 20817.

The name, citizenship, business address, principal occupation or employment and five-year employment history of each of the directors and executive officers of the Purchaser and Parent are set forth in Schedule I hereto.

Set forth below is a summary of certain consolidated financial information with respect to Parent and its consolidated subsidiaries excerpted or derived from the information contained in or incorporated by reference into Parent's Annual Report on Form 10-K for the year ended December 31, 1994 filed with the Commission pursuant to Rule 15d-2 of the Exchange Act (the "Parent 10-K") and Parent's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995. More comprehensive financial information is included in or incorporated by reference into the Parent 10-K and other documents filed by Parent, Martin Marietta Corporation and Lockheed Corporation with the Commission, and the financial information summary set forth below is qualified in its entirety by reference to the Parent 10-K and such other documents and all the financial information and related notes contained therein.

LOCKHEED MARTIN CORPORATION

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER SHARE DATA)

	AT OR FOR NINE MONTHS ENDED SEPTEMBER 30,	AT OR FOR YEAR ENDED DECEMBER 31,		
	1995	1994/3/	1993/2/	1992/1/
	(UNAUDITED)			
Income Statement Data:				
Net sales	$16,801	$22,906	$22,397	$16,030
Earnings before cumulative effect of changes in accounting	371	1,055	829	649
Net earnings (loss)	371	1,018	829	(361)
Balance Sheet Data:				
Working capital	2,044	2,508	1,770	1,654
Intangible assets related to contracts and programs acquired	1,861	1,971	2,127	42
Cost in excess of net assets acquired	2,794	2,831	2,697	841
Total assets	18,366	18,049	17,108	10,827
Long-term debt (including current maturities)	3,607	3,879	4,372	2,130
Stockholders' equity	6,255	6,086	5,201	3,482
Earnings (loss) per common share				
Assuming no dilution:				
Before cumulative effect of changes in accounting	$ 1.72	$ 5.32	$ 3.99	$ 3.31
Cumulative effect of changes in accounting	--	(.20)	--	(5.15)
	$ 1.72	$ 5.12	$ 3.99	$ (1.84)
Assuming full dilution:				
Before cumulative effect of changes in accounting	$ 1.67	$ 4.83	$ 3.75	$ 3.31
Cumulative effect of changes in accounting	--	(.17)	--	(5.15)
	$ 1.67	$ 4.66	$ 3.75	$ (1.84)

Parent is subject to the informational filing requirements of the Exchange Act and is required to file reports and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning Parent's directors and executive officers, their remuneration, the

1. Reflects the adoption of Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions, and SFAS No. 112, Employers' Accounting for Postemployment Benefits.
2. Reflects the purchase of Lockheed Fort Worth Company effective February 28, 1993 and the GE Aerospace business combination effective April 2, 1993.
3. Reflects the adoption of Statement of Position No. 93-6, Employers' Accounting for Employee Stock Ownership Plans.

principal holders of Parent's securities and any material interest of such persons in transactions with Parent is required to be described in periodic statements delivered to Parent's stockholders and filed with the Commission. Parent has not been a reporting company under the Exchange Act for a full year and certain of these documents are not yet due to be, and therefore have not been, filed with the Commission. As described above, Parent is a holding company for Lockheed Corporation and Martin Marietta Corporation, each of which was subject to the informational requirements of the Exchange Act with respect to events through March 15, 1995 (at which time Lockheed Corporation and Martin Marietta Corporation combined and become subsidiaries of Parent), and was required to file reports and other information with the Commission relating to its business, financial condition and other matters. Such reports and other information, including the Parent 10-K, may be inspected and copies may be obtained from the offices of the Commission in the same manner as set forth in Section 7.

For information regarding certain material business relationships during the previous three fiscal years of the Company between the Company and its affiliates, on the one hand, and the Parent and its affiliates, on the other hand, see the information set forth on Schedule III attached hereto.

Except as set forth in the immediately preceding paragraph or elsewhere in this Offer to Purchase, none of Parent, the Purchaser or any of their affiliates (collectively the "Purchaser Entities"), or, to the best knowledge of any of the Purchaser Entities, any of the persons listed on Schedule I, has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as set forth in this Offer to Purchase, none of the Purchaser Entities, or, to the best knowledge of any of the Purchaser Entities, any of the persons listed on Schedule I, has had, since April 1, 1993, any business relationships or transactions with the Company or any of its executive officers, directors or affiliates that would require reporting under the rules of the Commission. Except as set forth in this Offer to Purchase, since April 1, 1993, there have been no contacts, negotiations or transactions between the Purchaser Entities, or their respective subsidiaries or, to the best knowledge of any of the Purchaser Entities, any of the persons listed on Schedule I, and the Company or its affiliates, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors or a sale or other transfer of a material amount of assets. None of the Purchaser Entities or, to the best knowledge of any of the Purchaser Entities, any of the persons listed on Schedule I, beneficially owns any Shares or has effected any transactions in the Shares in the past 60 days.

9. SOURCE AND AMOUNTS OF FUNDS. The total amount of funds required by the Purchaser to acquire all outstanding Shares pursuant to the Offer and the Merger, to consummate the transactions contemplated by the Offer, the Merger Agreement and the Distribution Agreement, to refinance certain indebtedness of the Company, and to pay fees and expenses relating to the Offer and the Merger is estimated to be approximately $8.4 billion. These funds will be provided to the Purchaser by Parent either through an equity investment in, or debt financing provided to, Purchaser or a combination thereof. Parent intends to obtain these funds, together with the funds necessary to provide working capital to support the combined operations of Parent and its subsidiaries, including the Company and its subsidiaries following the closing of the Offer, from loans to be provided by Morgan Guaranty Trust Company of New York (together with its affiliates, "Morgan Guaranty"), Bank of America National Trust and Savings Association (together with its affiliates, "Bank of America"; collectively with Morgan Guaranty, the "Co-Arrangers"), Citibank USA, (together with its affiliates, "Citibank") Inc., as managing agent, and a syndicate of other commercial banks (the "Banks") to be formed by the Co-Arrangers. It is anticipated that the loans to be provided by Morgan Guaranty, Bank of America, Citibank, and the other Banks (which are collectively referred to as the "Bank Financing") will be fully and unconditionally guaranteed by Purchaser and certain other subsidiaries of Parent and are collectively referred to as the "Bank Financing." Alternatively, Parent may obtain all or a portion of the necessary financing through the issuance of commercial paper backed by the Bank Financing. The existing revolving credit facilities of Parent and the Company will be terminated in connection with the closing of the Offer and the consummation of the Bank Financing.

Set forth below is a summary description of the Bank Financing. Consummation of the Bank Financing is subject to, among other things, successful syndication of the Bank Financing and the negotiation and execution

of definitive financing agreements on terms satisfactory to Parent, Purchaser and the Co-Arrangers. The summary description does not purport to be complete, and there can be no assurance that the terms set forth below will be contained in such agreements or that such agreements will not contain additional provisions.

Parent has received commitments from Morgan Guaranty and Bank of America pursuant to which each of them has agreed to provide up to $1.375 billion of the Bank Financing, and from Citibank pursuant to which it has agreed to provide up to $750 million of the Bank Financing. The Co-Arrangers also have agreed to act as agents for an anticipated commercial bank syndicate (including the Co-Arrangers and Citibank). Morgan Guaranty has advised Parent that, based upon its knowledge of, and experience in, the loan syndication market and subject to certain assumptions, it is highly confident that it will be able to arrange a syndicate of lenders for an additional $6.5 billion.

Parent has agreed to pay certain fees to Morgan Guaranty, Bank of America and to Citibank as managing agent, and has agreed to pay Bank of America, as Administrative Agent under the Credit Facilities, an annual administrative fee. Parent also has agreed to pay certain of the expenses of the Co-Arrangers incurred in connection with the Bank Financing and to provide the Co-Arrangers, Citibank, as the Managing Agent, and their respective directors, officers, employees, and affiliates with customary indemnification.

The Bank Financing will consist of two facilities which will be entered into prior to or concurrently with the consummation of the Offer. The credit facilities will consist of a 364-day unsecured revolving credit facility in the amount of $5 billion (the "Short-Term Facility") and a five-year unsecured revolving credit facility in the amount of $5 billion (the "Five-Year Facility"). The Short-Term Facility and the Five-Year Facility are collectively referred to as the "Credit Facilities." The Short-Term Facility will have a final maturity 364 days after the date of execution of the definitive financing agreement for the Short-Term Facility. There will be no required prepayments or scheduled reductions of availability of loans under the Credit Facilities.

Revolving loans under the Credit Facilities will bear interest, at the option of Parent, at (i) a base rate equal to the higher of the rate announced from time to time by Bank of America as its reference rate or the daily Federal Funds rate plus 0.5%; (ii) the London interbank offered rate ("LIBOR") for one-, two-, three-, six- (or subject to the Banks' consent) twelve-month periods plus an interest rate margin based on the rating for senior, unsecured long-term debt of Parent announced from time to time by Standard & Poor's Corporation ("S&P") and Moody's Investor Services, Inc. ("Moody's"); (iii) a reserve- and FDIC insurance-adjusted rate for 30-,60-, 90-, or 180-day certificates of deposit (the "CD Rate") plus an interest rate margin based on the rating for senior, unsecured long-term debt of Parent announced from time to time by S&P and Moody's, and D&P; or (iv) a money market bid rate based on competitive bids solicited of the Banks and accepted by Parent pursuant to an auction mechanism under the Credit Facilities. The interest rate margins over LIBOR and the CD Rate range from .165% and .29%, respectively, to .31% and .435%, respectively, for the Short-Term Facility, and from .145% and .27%, respectively, to .50% and .625%, respectively, for the Five-Year Facility, depending on the level of such ratings. Interest will be payable quarterly in arrears based on a 365/366-day year for the reference rate used in determining the rate on base rate loans and will be payable semi-annually in arrears or at the end of the relevant interest period, whichever is sooner, based on a 360-day year and the actual number of days elapsed for LIBOR and CD Rate loans. Money market bid rate loans will bear interest at rates established on the basis of a bidding procedure and interest will be payable at such times as are determined by such procedures.

Facility fees under the Credit Facilities will be payable to each Bank on the amount of its commitment, whether used or unused, based on the rating for senior, unsecured long-term debt of Parent announced from time to time by S&P and Moody's and D&P. The facility fees for the Short-Term Facility will range from .06% to .09% and the facility fees for the Five-Year Facility will range from .08% to .25%, depending on the level of such ratings.

Each Bank's obligation to make loans under the Credit Facilities will be subject to, among other things, the negotiation, execution, and delivery of definitive financing agreements (collectively, the "Bank Financing Agreements"), and the compliance by Parent and Purchaser thereunder. The covenants in the Bank Financing

Agreements will include but not be limited to covenants limiting the ability of Parent and certain of its subsidiaries to encumber certain of their assets, and a covenant not to exceed a maximum leverage ratio. It is anticipated that the Bank Financing Agreements will include terms, conditions, representations, warranties, covenants, indemnities, events of default, and other provisions customary in such agreements.

Following closing of the Offer, it is anticipated that Parent will refinance all or a portion of the borrowings under the Credit Facilities contemplated herein with funds raised in the public or private securities markets. In the event the Offer has not been consummated by April 30, 1996 the Offer is conditioned upon obtaining the financing described herein (the "Financing Condition"). See Section 15.

10. BACKGROUND OF THE OFFER; THE MERGER AGREEMENT; THE SPIN-OFF; THE RIGHTS AGREEMENT.

BACKGROUND OF THE OFFER

Reductions in the Federal defense budgets for research, development, test and evaluation and procurement over the last several years have caused continued pressures on participants in the aerospace/defense industry to consolidate in order to maintain critical mass and production economies. Both Parent and the Company have been active participants in the consolidation of the industry. In light of the anticipated continuation of the recent consolidations in the aerospace/defense industry, the management and Board of Directors of the Company have reviewed periodically the Company's strategic plans, including but not limited to the possibility of making acquisitions and potential internal investments and entering into joint ventures and business combinations with companies engaged in a similar or related business. Similarly, the management and Board of Directors of Parent have reviewed periodically Parent's strategic plans, including but not limited to the possibility of making acquisitions and potential internal investments and entering into joint ventures and business combinations with companies engaged in a similar or related business.

On July 31, 1995, representatives of Bear Stearns met with Mr. Bernard L. Schwartz, the chairman and chief executive officer of the Company, to review certain recent developments in the defense industry, including certain current trends and opportunities with respect to the consolidation of the defense industry. At this meeting Mr. Schwartz stated to Bear Stearns that the Company might be willing to consider a possible transaction with Parent if Parent was similarly interested. On August 11, 1995 and again on August 24, 1995, representatives of Bear Stearns met with certain members of the senior management of Parent, including Mr. Daniel M. Tellep, Chairman of the Board and Chief Executive Officer of Parent, and Mr. Norman R. Augustine, the President of Parent, in order to also review developments in the defense industry. At these meetings representatives of Bear Stearns indicated that the Company might be willing to consider a possible transaction with Parent.

On September 14, 1995, Mr. Augustine and Mr. Schwartz were attending a meeting at the Pentagon with certain government officials on an unrelated matter. After this meeting Mr. Augustine and Mr. Schwartz briefly discussed the general topic of a possible transaction between Parent and the Company and they agreed to meet at a subsequent date to discuss the matter further. Thereafter, on September 20, 1995, Mr. Augustine and Mr. Schwartz met to discuss the broad outlines of a possible transaction between Parent and the Company. On the following day, September 21, 1995, Mr. Tellep had a telephone conversation with Mr. Schwartz following up on the matters discussed at the meeting between Mr. Schwartz and Mr. Augustine the day before. On September 28, during a regularly-scheduled meeting of the Parent Board, Mr. Tellep informed the Parent Board of the discussions with senior management of the Company and members of Parent's management.

During the course of discussions over September and October, the parties discussed various transaction structures, including a structure whereby the Company would sell its defense and systems integration-related businesses to Parent and spin-off the Space and telecommunications-related businesses of the Company to the Company's stockholders. In addition, during this period the parties initially discussed a possible stock-for-stock

merger transaction involving only the defense-related businesses of the Company in which the Company's stockholders would receive stock consideration having a value of approximately $32 per share in a stock for stock transaction in a stock-for-stock transaction (assuming pooling-of-interests accounting treatment). At a meeting on October 31, 1995, and at a later meeting on November 8, 1995, representatives of both parties, including Messrs. Tellep, Augustine and Schwartz, met to further discuss the possibility of a transaction between Parent and the Company. In particular, the parties discussed certain management and organizational issues, as well as certain broad transaction valuation parameters. Messrs. Tellep, Augustine and Schwartz agreed that representatives of the two companies should meet to explore various possibilities.

On November 17, 1995, and at subsequent meetings during the remainder of November (including meetings on November 27-28, 1995), members of the management of Parent and the Company, together with their respective legal counsel and representatives of Bear Stearns, met to discuss several different possible transaction structures and various financial, operational, accounting and legal issues relating to a transaction between Parent and the Company. The discussions at these meetings focused initially on structuring the proposed transaction as a stock-for-stock merger, but due to pooling-of-interests accounting and other concerns with such a transaction structure, the parties agreed to pursue an all-cash transaction instead. Additionally, the parties had preliminary discussions regarding the possibility of Parent acquiring a 20% equity interest in Loral Space.

On December 1, 1995, during a special telephonic meeting of the Parent Board, Mr. Tellep updated the Parent Board with respect to the current discussions between senior management of the Company and members of Parent's management and discussed with the Parent Board certain of the business and other issues which had been raised in the course of those discussions. On December 4, 1995, Parent and the Company entered into a Confidentiality and Standstill Agreement (the "Confidentiality and Standstill Agreement"), relating to, among other things, the information to be provided by each company to the other and limiting the ability of each party for three years to acquire any voting securities or assets of, or solicit proxies or make a public announcement of a proposal for any extraordinary transaction with respect to, the other party. Parent and the Company subsequently obtained various financial and other information regarding each other's business.

At a meeting on December 5, 1995, Messrs. Tellep, Augustine and Schwartz, and Mr. Frank C. Lanza, the President and Chief Operating Officer of the Company, met to further discuss the proposed transaction between Parent and the Company, and various operational and management issues related thereto. On the same day, other officers and certain legal representatives of the two companies, as well as representatives of Bear Stearns, met to discuss structure and business issues, and commenced financial due diligence. On December 7, 1995, during a regularly-scheduled meeting of the Parent Board, Parent's management provided the members of the Parent Board with an update of the recent discussions between the senior management of the Company and members of Parent's management. Representatives of Bear Stearns also reviewed with the Parent Board various financial and industry-related issues relating to a possible transaction with the Company.

During this period, meetings also occurred between certain members of the management of Parent, the Company and representatives of Bear Stearns to continue negotiating price and to discuss, among other things, various organizational and operational aspects of a possible transaction. In addition, during this period the legal representatives of each company met to discuss, among other things, the possible structure of a transaction and related legal issues.

At meetings held in early December, Messrs. Tellep, Augustine and Schwartz, together with representatives of Bear Stearns and certain legal counsel of both parties, continued their discussions as to specific organizational and operational issues related to the proposed transaction. Although the parties had made progress at these meetings, the parties acknowledged that there were still very significant issues relating to a proposed transaction that were not yet resolved and that further study by each party of the various issues which had been raised by the proposed transaction would be beneficial. On December 15, 1995, at a special telephonic meeting of the Parent Board, Parent's management provided the members of the Parent Board with a further update of the recent discussions between the senior management of the Company and members of Parent's management, and the outstanding issues between the parties relating to price, management structure and various other matters.

During the week commencing December 18, 1995, Parent and its legal advisers delivered initial drafts of the principal transaction documents to the Company and its legal advisers, and over the next two weeks the parties and their respective legal counsel met to discuss and negotiate with respect to the principal transaction documents.

At subsequent meetings on December 21, 1995 and December 22, 1995 involving Messrs. Tellep, Augustine and Schwartz and various other members of the management of both Parent and the Company, along with representatives of Bear Stearns and certain legal counsel to Parent and the Company, the parties continued to discuss the structure of the proposed transaction, various operational and management issues relating to the transaction, and various price, timing and other significant terms and conditions related thereto. Although substantial progress was made at these latter meetings with respect to certain outstanding issues relating to the proposed transaction, certain issues remained unresolved.

Commencing on January 2, 1996, members of Parent management met with members of the Company's management to review various information relating to the Company and to conduct a detailed due diligence review relating to the proposed transaction. In addition, during this period, legal representatives of each company and various outside financial and accounting advisors of Parent and the Company met to conduct business, financial, accounting and legal due diligence, to discuss outstanding legal and other issues and to continue to negotiate the terms of the Merger Agreement, the Distribution Agreement and the other transaction documents.

At a special meeting of the Parent Board on January 7, 1996, a presentation regarding a possible transaction with the Company was made to the Parent Board by senior management. The presentation to and discussion by the Parent Board was wide-ranging and included, among other things, a review of (i) management's current view of the financial condition and prospects of the Company and Parent; (ii) the strategic value of the proposed transaction and the possible effects of the transaction on Parent's stockholders, operations, customers and future growth and its financial condition and prospects; and (iii) the current state of the industry consolidation and potential consolidation opportunities and trends in the foreseeable future. A review of the Company's organization, businesses, management and financials was provided to the Parent Board, together with a discussion of the potential strategic benefits of the proposed transaction. A summary of the financial implications was also provided, as well as a comparison of the transaction to other strategic alternatives available to Parent. In addition, Bear Stearns presented its views as to possible market reactions and competitive responses to the potential transaction. The General Counsel of the Company and one of the representatives of Parent's outside legal advisors also reviewed with Parent's Board the duties of the directors in considering such transaction and various legal issues relating to the proposed transaction. In addition, Bear Stearns rendered its written opinion to the Parent Board that the Offer, the Merger and the acquisition of twenty percent (20%) equity interest in Loral Space, taken as a whole, were fair from a financial point of view to the stockholders of Parent. After receiving such advice and after reviewing various additional information relating to the transaction, the Parent Board unanimously approved the terms and conditions of the proposed transaction with the Company, including the terms and conditions of the Merger Agreement, the Distribution Agreement and the other transaction documents contemplated thereby.

The parties executed the Merger Agreement and the Distribution Agreement as of January 7, 1996 and publicly announced the transaction on January 8, 1996.

On January 12, 1996, Purchaser commenced the Offer.

THE MERGER AGREEMENT

The following is a summary of certain provisions of the Merger Agreement. A copy of the Merger Agreement (with certain Exhibits omitted) is attached hereto as Exhibit A and is incorporated herein by reference. The following summary is qualified in its entirety by reference to the Merger Agreement.

The Offer. The Merger Agreement provides for the making of the Offer by the Purchaser. The Purchaser has agreed to accept for payment and pay for all Shares tendered pursuant to the Offer as soon as practicable following the Expiration Date and to extend the Offer until immediately following the Spin-Off Record Date and the expiration or termination of any applicable waiting period under the Antitrust Laws. The obligation of Purchaser to accept for payment and pay for Shares tendered pursuant to the Offer is subject to (i) the satisfaction or waiver of all of the conditions to the Spin-Off, (ii) the tender and non-withdrawal of Shares which, when added to the Shares then beneficially owned by Parent, constitutes two-thirds of the outstanding Shares and represents two-thirds of the voting power of the outstanding Shares on a fully diluted basis, and (iii) the satisfaction of certain other conditions described in Section 15. The Purchaser has agreed that, without the written consent of the Company, no amendment to the Offer may be made which changes the form of consideration to be paid or decreases the price per Share, the number of Shares sought in the Offer or which imposes additional conditions to the Offer other than those described in Section 15 or amends any other term of the Offer in any manner materially adverse to holders of Shares.

The Merger. The Merger Agreement provides that, following the purchase of Shares pursuant to the Offer, and the satisfaction or waiver of the other conditions to the Merger, the Purchaser will be merged with and into the Company. The Merger will become effective at such time (the "Effective Time") as a certificate of merger or, if applicable, a certificate of ownership and merger, is filed with the Secretary of State of the State of New York in the manner required by the New York Business Corporation Law (the "NYBCL").

At the Effective Time, (i) except as provided in (ii) below, each Share issued and outstanding immediately prior to the Effective Time will be converted into the right to receive $38.00 in cash, or any higher price paid per Share in the Offer, without interest (the "Merger Price"); (ii) (a) each Share held in the treasury of the Company or held by any subsidiary of the Company (other than a subsidiary that will be owned directly or indirectly by the Company following the Spin-Off (each such company a "Retained Subsidiary")) and each Share held by Parent or any subsidiary of Parent immediately prior to the Effective Time will be cancelled and retired and cease to exist; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Parent or the Company or any subsidiaries thereof will not be deemed to be held by Parent or the Company regardless of whether Parent or the Company has, directly or indirectly, the power to vote or control the disposition of such shares; (b) each Share held by any

holder who has not voted in favor of the Merger and has delivered a written objection to the Merger and demanded fair value with respect to such Share in accordance with Section 623 of the NYBCL will not be converted into or be exchangeable for the right to receive the Merger Price (the "Dissenting Shares"); and (iii) each share of common stock of the Purchaser issued and outstanding immediately prior to the time of the Effective Date will be converted into and exchangeable for one share of common stock of the Surviving Corporation.

The Company will take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by Section 2.10 of the Merger Agreement) necessary to provide that all outstanding options and other rights to acquire Shares ("Stock Options") granted under any stock option plan, program or similar arrangement of the Company or any subsidiary of the Company, each as amended (the "Option Plans"), will become fully exercisable and vested on the date (the "Vesting Date") which will be set by the Company and which, in any event, shall be not less than 30 days prior to the consummation of the Offer, whether or not otherwise exercisable and vested. All Stock Options which are outstanding immediately prior to Purchaser's acceptance for payment and payment for Shares tendered pursuant to the Offer will be cancelled as of the consummation of the Offer and the holders thereof (other than holders who are subject to the reporting requirements of Section 16(a) of the Exchange Act) will be entitled to receive from the Company, for each Share subject to such Stock Option, (1) an amount in cash equal to the difference between the Merger Price and the exercise price per share of such Stock Option, which amount will be payable upon consummation of the Offer, plus (2) one share of common stock, par value $0.01 per Share of Loral Space ("Loral Space Common Stock" or "Spinco Common Stock"), which will be held by an escrow agent pending delivery on the Distribution Date. All applicable withholding taxes attributable to the payments made hereunder or to distributions contemplated hereby will be deducted from the amounts payable under clause (1) above and all such taxes attributable to the exercise of Stock Options on or after the Vesting Date will be withheld from the proceeds received in the Offer or the Merger, as the case may be, in respect of the Shares issuable on such exercise.

The Company will take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by the Merger Agreement) necessary to provide that all restrictions on transferability with respect to each Share which is granted pursuant to the Company's 1987 Restricted Stock Purchase Plan (the "1987 Plan") and which is outstanding and not vested on the Vesting Date will lapse, and each such Share will become free of restrictions as of the Vesting Date. All applicable withholding taxes attributable to the vesting of restricted Shares will be withheld from the proceeds received in respect of such Shares in the Offer or the Merger, as the case may be.

Except as provided in the Merger Agreement or as otherwise agreed to by the parties and to the extent permitted by the Option Plans and the 1987 Plan, (i) the Option Plans and the 1987 Plan will terminate as of the Effective Time and the provisions in any other plan, program or arrangement, providing for the issuance or grant by the Company or any of its subsidiaries of any interest in respect of the capital stock of the Company or any of its subsidiaries will be deleted as of the Effective Time and (ii) the Company will use all reasonable efforts to ensure that following the Effective Time no holder of Stock Options or any participant in the Option Plans or any other such plans, programs or arrangements will have any right thereunder to acquire any equity securities of the Company, the Surviving Corporation or any subsidiary thereof.

The Merger Agreement provides that the restated certificate of incorporation and by-laws of the Company at the Effective Time will be the certificate of incorporation and by-laws of the Surviving Corporation until amended in accordance with applicable law; provided, that promptly following the Effective Time, the certificate of incorporation of the Company will be amended to change the name of the Surviving Corporation so that the word "Loral" will be deleted therefrom. The Merger Agreement also provides that the directors and officers of the Purchaser at the Effective Time will be the initial directors and officers of the Surviving Corporation and will hold office from the Effective Time until their respective successors are duly elected or appointed and qualify in the manner provided in the certificate of incorporation and by-laws of the surviving corporation, or as otherwise provided by applicable law.

Recommendation. In the Merger Agreement, the Company states that the Board of Directors has unanimously (i) determined that the Offer, the Merger and the Spin-Off are fair to and in the best interests of the stockholders of the Company and (ii) resolved to recommend acceptance of the Offer and approval and adoption of the Merger Agreement and the Merger by the stockholders of the Company.

Interim Agreements of Parent, Purchaser and the Company. Pursuant to the Merger Agreement, the Company has covenanted and agreed that, during the period from the date of the Merger Agreement to the consummation of the Offer and until such time as the directors designated by Parent in accordance with the Merger Agreement constitute in their entirety a majority of the Company's Board of Directors (the "Board Reorganization"), the Company and its subsidiaries (other than Loral Space and the Loral Space Companies (as defined below)) will each conduct its operations according to its ordinary course of business, consistent with past practice, and will use its commercially reasonable efforts to (i) preserve intact its business organization, (ii) maintain its material rights and franchises, (iii) keep available the services of its officers and key employees, and (iv) keep in full force and effect insurance comparable in amount and scope of coverage to that maintained as of the date of the Merger Agreement (collectively the "Ordinary Course Obligations"); provided, that Loral Space and the Loral Space Companies will comply with the Ordinary Course Obligations to the extent that non-compliance therewith could adversely affect the Retained Business or adversely affect (or materially delay) the consummation of the Offer, the Merger or the Spin-Off. "Loral Space Companies" means Loral General Partner, Inc., a Delaware corporation ("LGP"), SS/L, Globalstar, Globalstar Telecommunications Limited, a company organized under the laws of Bermuda ("GTL"), Loral Globalstar, L.P., a Delaware limited partnership, Loral Globalstar Limited, a Cayman Islands corporation ("LGL"), K&F Industries, Inc., a Delaware corporation ("K&F"), Loral/QUALCOMM Partnership, L.P., a Delaware limited partnership ("LQP"), Loral/QUALCOMM Satellite Services. L.P., a Delaware limited partnership ("LQSS"), Continental Satellite Corporation, a California corporation ("Continental"), Loral Travel Services Inc., a Delaware corporation, Loral Properties Inc., a Delaware corporation and each of the subsidiaries of such companies.

Without limiting the generality of and in addition to the foregoing, and except as otherwise contemplated by the Merger Agreement, the Tax Sharing Agreement (as defined below) or the Distribution Agreement (the Tax Sharing Agreement together with the Distribution Agreement, the "Ancillary Agreements"), prior to the consummation of the Offer and the Board Reorganization, neither the Company nor any of its subsidiaries (other than Loral Space and the Loral Space Companies insofar as any action of the type specified below could not adversely affect the Retained Business and could not adversely affect (or materially delay) the Offer, the Spin-Off or the Merger) will, without the prior written consent of Parent: (a) amend its charter or by-laws other than filing a Certificate of Amendment of the Company's restated certificate of incorporation as contemplated by the Rights Agreement; (b) subject to certain exceptions, authorize for issuance, issue, sell, deliver or agree to commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities or amend any of the terms of any such securities or agreements (subject to certain exceptions); (c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock (other than pursuant to the Rights Agreement) or redeem or otherwise acquire any of its securities or any securities of its subsidiaries (other than pursuant to the Rights Agreement); provided, that the Company may declare and pay to holders of Shares regular quarterly dividends of not more than $0.08 per Share on the dividend declaration and payment dates normally applicable to the Shares; (d) (i) pledge or otherwise encumber shares of Capital Stock of the Company or any of its subsidiaries; or (ii) except in the ordinary course of business consistent with past practices, (A) incur, assume or prepay any long-term debt or incur, assume, or prepay letters of credit or any material short-term debt; (B) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for any material obligations of any other person except wholly owned subsidiaries of the Company; (C) make any material loans, advances or capital contributions to, or investments in, any other person; (iii) change the practices of the Company and its Retained Subsidiaries with respect to the timing of payments or collections; or (D) mortgage or pledge any assets of the Retained Business, or create or permit to exist any material lien thereupon; (e) except (i) as disclosed in the Disclosure Schedule to the Merger Agreement and except for arrangements

entered into in the ordinary course of business consistent with past practices, (ii) as required by law or (iii) as specifically provided for in the Merger Agreement or Distribution Agreement enter into, adopt or materially amend any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreements, trusts, plans, funds or other arrangements of or for the benefit or welfare of any Retained Employee (i.e., all current and former officers and employees of the Company and its subsidiaries, other than Loral Space employees) (or any other person for whom the Retained Business will have liability), or (except for normal increases in the ordinary course of business that are consistent with past practices) increase in any manner the compensation or fringe benefits of any Retained Employee (or any other person for whom the Retained Business will have liability), or pay any benefit not required by any existing plan and arrangement (including, without limitation, the granting of stock options, stock appreciation rights, shares of restricted stock or performance units) or enter into any contract, agreement, commitment or arrangement to do any of the foregoing; (f) transfer, sell, lease, license or dispose of any lines of business, subsidiaries, divisions, operating units or facilities (other than facilities currently closed or currently proposed to be closed) relating to the Retained Business outside the ordinary course of business or enter into any material commitment or transaction with respect to the Retained Business outside the ordinary course of business; (g) acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets of any other person (other than the purchase of assets in the ordinary course of business and consistent with past practice), in each case where such action would be material to the Retained Business; (h) except as may be required by law or as disclosed in the Disclosure Schedule to the Merger Agreement, take any action to terminate or materially amend any of its pension or retiree medical plans with respect to or for the benefit of Retained Employees or any other person for whom the Retained Business will have liability; (i) materially modify, amend or terminate (1) any significant contract related to the Retained Business or waive any material rights or claims of the Retained Business, except in the ordinary course of business consistent with past practice; or (2) any contract having an aggregate contract value of $100 million or greater, whether or not in the ordinary course of business consistent with past practice, unless such modification, amendment or termination does not materially diminish the projected profit or materially increase the projected loss anticipated from such contract; provided, that nothing contained in this clause shall limit the Company and its subsidiaries in connection with programs or contracts with respect to which Parent or a subsidiary of Parent has submitted, or is reasonably expected to submit, a competing bid; provided further, that the provisions of this clause will not apply to any arrangement, agreement or contract proposal previously submitted by the Company or a subsidiary thereof which proposal, upon acceptance thereof, cannot be revised or withdrawn; (j) effect any material change in any of its methods of accounting in effect as of March 31, 1995, except as may be required by law or generally accepted accounting principles; (k) except as expressly provided in the Merger Agreement, amend, modify, or terminate the Rights Agreement or redeem any Rights thereunder; provided, that if the Board of Directors of the Company by a majority vote determines in its good faith judgment, based as to legal matters upon the written opinion of legal counsel, that the failure to redeem any Rights would likely constitute a breach of the Board's fiduciary duty, the Rights may be redeemed; (l) enter into any material arrangement, agreement or contract that individually or in the aggregate with other material arrangements, agreements and contacts entered into after the date of the Merger Agreement, the Company reasonably expects will adversely affect in a significant manner the Retained Business after the date of the Merger Agreement; provided, that nothing contained in this clause will limit the Company and its subsidiaries from submitting bids for programs or contracts with respect to which the Company reasonably expects Parent or a subsidiary of Parent to submit a bid; and (m) enter into a legally binding commitment with respect to, or any agreement to take, any of the foregoing actions.

Acquisition Proposals. In the Merger Agreement, the Company has agreed that the Company and its officers, directors, employees, representatives and agents will immediately cease any existing discussions or negotiations with any parties conducted prior to the date of the Merger Agreement with respect to any Acquisition Proposal (as defined below). The Company and its subsidiaries may not, and will use their best efforts to cause their respective officers, directors, employees and investment bankers, attorneys, accountants or

other agents retained by the Company or any of its subsidiaries not to, (i) initiate or solicit, directly or indirectly, any inquiries with respect to, or the making of any Acquisition Proposal, or (ii) except as permitted below, engage in negotiations or discussions with, or furnish any information or data to any Third Party (as defined below) (other than the transactions contemplated by the Merger Agreement and by the Ancillary Agreements). Notwithstanding anything to the contrary contained in the Merger Agreement, the Company may furnish information to, and participate in discussions or negotiations (including, as a part thereof, making any counter-proposal) with, any Third Party which submits an unsolicited written Acquisition Proposal to the Company if the Company's Board of Directors by a majority vote determines in its good faith judgment, based as to legal matters upon the written opinion of legal counsel, that the failure to furnish such information or participate in such discussions or negotiations would likely constitute a breach of the Board's fiduciary duties under applicable law; provided, that nothing in the Merger Agreement will prevent the Board from taking, and disclosing to the Company's shareholders, a position contemplated by Rules 14D-9 and 14e-2 promulgated under the Exchange Act with regard to any tender offer; provided further, that the Board will not recommend that the shareholders of the Company tender their Shares in connection with any such tender offer unless the Board by a majority vote determines in its good faith judgment, based as to legal matters on the written opinion of legal counsel, that failing to take such action would likely constitute a breach of the Board's fiduciary duty; provided further, that the Company may not enter into any agreement with respect to any Acquisition Proposal except concurrently with or after the termination of the Merger Agreement (except with respect to confidentiality and standstill agreements to the extent expressly permitted below). The Company will promptly provide Parent with a copy of any written Acquisition Proposal received and a written statement with respect to any non-written Acquisition Proposal received, which statement shall include the identity of the parties making the Acquisition Proposal and the terms thereof. The Company will promptly inform Parent of the status and content of any discussions regarding any Acquisition Proposal with a Third Party. In no event will the Company provide non-public information regarding the Retained Business to any Third Party making an Acquisition Proposal unless such party enters into a confidentiality agreement containing provisions designed to reasonably protect the confidentiality of such information. In the event that following the date of the Merger Agreement the Company enters into a confidentiality agreement with any Third Party which does not include terms and conditions which are substantially similar to the "standstill" provisions of the confidentiality agreement between the Company and Parent, dated as of December 4, 1995, then Parent and its affiliates will be released from their obligations under such standstill provisions to the same extent as such Third Party.

"Acquisition Proposal" means any bona fide proposal, whether in writing or otherwise, made by a Third Party to acquire beneficial ownership (as defined in Rule 13(d) under the Exchange Act) of all or a material portion of the assets of, or any material equity interest in, any of the Company, a Retained Subsidiary or the Retained Business pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of assets, tender offer or exchange offer or similar transaction involving either the Company, a Retained Subsidiary or the Retained Business, including, without limitation, any single or multi-step transaction or series of related transactions which is structured to permit such Third Party to acquire beneficial ownership of any material portion of the assets of, or any material portion of the equity interest in, either the Company, a Retained Subsidiary or the Retained Business (other than the transactions contemplated by the Merger Agreement and the Ancillary Agreements); provided, however, that the term "Acquisition Proposal" does not include any transactions which relate solely to the businesses to be owned by Loral Space and the Loral Space Companies following the Spin-Off and which do not have a material adverse effect on the consummation of the Offer, the Merger, the Spin-Off or the transactions contemplated by the Merger Agreement.

Board Representation. The Merger Agreement provides that in the event that Purchaser acquires at least a majority of the Shares outstanding pursuant to the Offer, Parent will be entitled to designate for appointment or election to the Company's Board of Directors, upon written notice to the Company, such number of persons so that such designees of Parent constitute the same percentage (but in no event less than a majority) of the Company's Board of Directors (rounded up to the next whole number) as the percentage of Shares acquired in connection with the Offer. Prior to the consummation of the Offer, the Board of Directors of the Company will obtain the resignation of such number of directors as is necessary to enable such number of Parent designees to be so elected. In connection therewith, the Company will mail to the stockholders of the Company the information required by Section 14(f) of the Exchange Act and Rule 14f-1 thereunder unless such information has previously been provided to such stockholders in the Schedule 14D-9. Parent and the Purchaser will provide to the Company in writing, and be solely responsible for, any information with respect to such companies and their nominees, officers, directors and affiliates required by such Section and Rule. Notwithstanding the foregoing, the parties to the Merger Agreement will use their respective best efforts to ensure that at least three of the members of the Company's Board of Directors will, at all times prior to the Effective Time be, Continuing Directors (as defined in the Merger Agreement).

Miscellaneous Agreements. Pursuant to the Merger Agreement, the Company has agreed to amend, and has amended, the Rights Agreement as necessary (i) to prevent the Merger Agreement or the transactions contemplated by the Merger Agreement or Distribution Agreement (including, without limitation, the publication or other announcement of the Offer and the consummation of the Offer and the Merger) from resulting in the distribution of separate rights certificates or the occurrence of a "Distribution Date" under the Rights Agreement or being deemed to be a "Triggering Event" or a "Section 13 Event" under the Rights Agreement and (ii) to provide that neither Parent nor the Purchaser will be deemed to be an "Acquiring Person" under the Rights Agreement by reason of such transactions.

Pursuant to the Merger Agreement, if required under applicable law in order to consummate the Merger, the Company, acting through its Board of Directors, will, in accordance with applicable law, its restated certificate of incorporation and by-laws and the rules and regulations of the NYSE: (a) duly call, give notice of, convene and hold a special meeting of its stockholders as soon as practicable following the consummation of the Offer for the purpose of considering and taking action on the Merger Agreement (the "Stockholders' Meeting"); (b) subject to its fiduciary duties under applicable laws as advised by counsel, include in the Information Statement prepared by the Company for distribution to stockholders of the Company in advance of the Stockholders' Meeting in accordance with Regulation 14C promulgated under the Exchange Act (the "Information Statement") the recommendation of its Board of Directors referred to above; and (c) use its best efforts to (i) obtain and furnish the information required to be included by it in the Information Statement, and, after consultation with Parent, respond promptly to any comments made by the Commission with respect to the Information Statement and any preliminary version thereof and cause the Information Statement to be mailed to its stockholders following the consummation of the Offer and (ii) obtain the necessary approvals of the Merger Agreement by its stockholders. Parent will provide the Company with the information concerning Parent and Purchaser required to be included in the Information Statement and will vote, or cause to be voted, all Shares owned by it or its subsidiaries in favor of approval and adoption of the Merger Agreement.

In accordance with the Merger Agreement, simultaneously with the execution of the Merger Agreement, the Company and certain of its subsidiaries entered into the Distribution Agreement. Immediately prior to the Spin-Off Record Date, the Company, Loral Space and certain other parties will enter into the Tax Sharing Agreement. From and after the Effective Time, Parent shall cause the Surviving Corporation to perform any and all obligations and agreements of the Company set forth in the Merger Agreement or in the Ancillary Agreements or in any other agreements contemplated in the Merger Agreement or in the Ancillary Agreements. Parent and Purchaser accept and agree that, subject to the provisions of the Distribution Agreement, the form of certificate of incorporation and by-laws of Loral Space adopted in contemplation of the Spin-Off will be as agreed to by the Company and Loral Space in their sole discretion; provided, that nothing in the certificates of incorporation and by-laws will adversely affect or otherwise limit (i) Loral Space's ability to perform its obligations under the

Ancillary Agreements or the other agreements contemplated by the Distribution Agreement or (ii) the Company's or its affiliates' rights under the Stockholders Agreement. In no event shall Parent or Purchaser or any of their subsidiaries be entitled to receive any shares of Loral Space Common Stock as a distribution with respect to Shares purchased upon consummation of the Offer. If, for any reason, any shares of Spinco Common Stock distributed in the Spin-Off are received by Parent or Purchaser or any of their subsidiaries with respect to Shares acquired by Purchaser in the Offer, then Parent or Purchaser will convey, on behalf of the Company, such shares of Loral Space to the stockholders of the Company who would have otherwise received such shares of Loral Space pursuant to the Distribution Agreement; provided, that the foregoing provisions will not apply with respect to Shares held by Parent or any of its subsidiaries prior to the date of the Merger Agreement. If the Company reasonably determines that the Spin-Off may not be effected without registering the shares of common stock of Spinco to be distributed in the Spin-Off pursuant to the Securities Act, the Company, Parent and Purchaser, as promptly as practicable, will use their respective best efforts to cause the shares of Loral Space to be registered pursuant to the Securities Act and thereafter effect the Spin-Off in accordance with the terms of the Distribution Agreement including, without limitation, by preparing and filing on an appropriate form a registration statement under the Securities Act covering the shares of Loral Space and using their respective best efforts to cause such registration statement to be declared effective and preparing and making such other filings as may be required under applicable state securities Laws. Parent will, and will cause the Surviving Corporation to, treat the Spin-Off for purposes of all federal and state taxes as an integrated transaction with the Offer and the Merger and thus report the Spin-Off as a constructive redemption of a number of Shares equal in value to the value of the Loral Space Common Stock distributed in the Spin-Off.

Employment Agreements. Prior to the Spin-Off, the Company will use its best efforts to, and will use its best efforts to cause its subsidiaries to, assign to Loral Space or subsidiaries of Loral Space or terminate all employment agreements with employees of the Company who are not Retained Employees (the "Employment Agreements") and all individual severance agreements with employees of the Company who are not Retained Employees (the "Severance Agreements"). The parties acknowledge and agree that, whether or not such Employment Agreements and Severance Agreements are so assigned or terminated, all liabilities under or arising from such Employment Agreements and Severance Agreements other than as expressly contemplated in the Distribution Agreement or the Merger Agreement will be deemed to be Loral Space Liabilities (as defined in Section 10), with respect to which Loral Space will indemnify the Company and Parent as provided therein. Parent acknowledges and agrees that all employment agreements and severance agreements with the Retained Employees will be binding and enforceable obligations of the Surviving Corporation, except as the parties thereto may otherwise agree. The parties to the Merger Agreement acknowledge and agree that all liabilities under or arising from such agreements with the Retained Employees from and after the consummation of the Offer will be deemed to be Company Liabilities (as defined in the Distribution Agreement), with respect to which the Company and Parent will indemnify Spinco as provided therein.

Fiscal Year Ended March 31, 1996 Bonus. Parent agrees to cause the Company to pay in cash to each Company Bonus Employee (as defined below) to the extent not previously paid, all bonus compensation payable with respect to the fiscal year of the Company ending March 31, 1996 under any bonus program of the Company or its subsidiaries in which such Company Bonus Employee participated prior to the consummation of the Offer or under any employment agreement. Such bonus compensation will be paid at the time or times that comparable bonus compensation was paid to a similarly situated employee after March 31, 1995 with respect to the fiscal year ended March 31, 1995. Bonus compensation which is based on objective criteria will be calculated and paid in accordance with such criteria. With respect to bonus compensation which is wholly or partially discretionary, such bonus compensation will be determined and paid on a basis consistent with past practices of the Company. Subject to the conditions regarding the aggregate amount of discretionary bonuses as described below, the amount of discretionary bonus compensation to be paid to any Company Bonus Employee will be determined by the Chief Executive Officer of the Company in office immediately prior to the date of the consummation of the Offer or by his designee. "Company Bonus Employee" means a person (other than any current or former officer or employee of Loral Space, any Loral Space Company or the Loral Space Business (the "Loral Space Employees")), employed by the Company or any of its subsidiaries immediately prior to the

date the Offer is consummated, who was eligible to receive a bonus under any bonus program of the Company or any of its subsidiaries in effect at December 31, 1995, or under any employment agreement in effect on such date, with respect to the fiscal year ending March 31, 1996.

Spinco agrees to pay in cash to each Loral Space Bonus Employee (as defined below) to the extent not previously paid, all bonus compensation payable with respect to the fiscal year of the Company ending March 31, 1996 under any bonus program of the Company or its subsidiaries in which such Loral Space Bonus Employee participated prior to the consummation of the Offer or under any employment agreement. Such bonus compensation will be paid at the time or times that comparable bonus compensation was paid to any similarly situated employee after March 31, 1995 with respect to the fiscal year ended March 31, 1995. Bonus compensation which is based on objective criteria will be calculated and paid in accordance with such criteria. With respect to bonus compensation which is wholly or partially discretionary, such bonus compensation will be determined and paid on a basis consistent with past practices of the Company. Subject to the following paragraph, the amount of discretionary bonus compensation to paid to any Spinco Bonus Employee will be determined by Loral Space. "Loral Space Bonus Employee" means any Loral Space Employee employed by the Company or any of its subsidiaries immediately prior to the date the Offer is consummated, who was eligible to receive a bonus under any bonus program of the Company or any of its subsidiaries in effect at December 31, 1995, or under any employment agreement in effect on such date, with respect to the fiscal year ending March 31, 1996. Upon payment of such bonuses to Loral Space Bonus Employees, Spinco shall submit to Parent a statement showing the individual and aggregate bonus amounts paid to Loral Space Bonus Employees, and Parent will thereupon promptly pay to Loral Space (or cause the Company to pay to Loral Space) the aggregate amount of bonuses so paid; provided, that if the consummation of the Offer occurs prior to March 31, 1996, the amount of such reimbursement will be a prorated amount of the aggregate bonus amounts so paid, based on a fraction, the numerator of which is the number of days of the Company's fiscal year ending March 31, 1996 which had elapsed as of the consummation of the Offer, and the denominator of which is 365.

The aggregate amount of discretionary bonuses payable to all Company Bonus Employees and Loral Space Bonus Employees as a group for the fiscal year ending March 31, 1996 will not exceed a dollar amount to be mutually agreed to by the Chief Executive Officer of Parent and the Chief Executive Officer of Loral Space; provided, that in the event the Chief Executive Officer of Parent and the Chief Executive Officer of Loral Space cannot agree on such dollar amount, the maximum aggregate amount of discretionary bonuses payable to Company Bonus Employees and Spinco Bonus Employees shall be based on the aggregate amount of discretionary bonuses paid to all such employees for the Company's fiscal year ending March 31, 1995, increased by a percentage equal to the average of the percentage increases in discretionary bonuses paid to all such employees over the Company's three fiscal years ending March 31, 1993, 1994 and 1995.

Transaction Bonus. Pursuant to the "change of control" provisions of the Restated Employment Agreement between the Company and Bernard L. Schwartz dated April 1, 1990, as amended June 14, 1994, the Company will, subject to the following sentences of this paragraph, make a cash payment to Mr. Schwartz upon consummation of or following the Offer, calculated in accordance with such agreement, less $18 million waived by Mr. Schwartz. The net amount payable to Mr. Schwartz, taking this waiver into account, is approximately $18 million. The Company also may make a cash payment of a bonus (inclusive of the amount paid to Mr. Schwartz pursuant to the preceding sentence, the "Transaction Bonus") to Transaction Bonus Employees (as defined below) other than Mr. Schwartz; provided, that the aggregate Transaction Bonus paid will not exceed $40 million; and provided further, that the Transaction Bonus payable to any Transaction Bonus Employee will not exceed the maximum amount which can be paid at such time without such amounts being treated as "excess parachute payments" within the meaning of Section 280G of the Code, taking into account all payments made on or prior to the time the Transaction Bonus is paid (including the value of accelerated vesting of stock options or restricted shares granted under the 1987 Plan determined in accordance with proposed regulations promulgated under Section 280G of the Code) which constitute parachute payments for purposes of Section 280G of the Code. The Transaction Bonus may be paid by the Company, in its discretion, prior to, on or immediately following, the date the Offer is consummated. "Transaction Bonus Employee" means Mr. Schwartz and each person

employed by the Company or any of its subsidiaries on or prior to the date the Offer is consummated who is selected by Mr. Schwartz to receive a Transaction Bonus.

Employment Protection Agreements. The Company may provide for employment protection payments to be made to certain Company employees upon qualifying terminations of employment pursuant to "Employment Protection Agreements" and an "Employment Protection Plan" (each substantially in the forms attached to the Merger Agreement as Exhibits C and D, respectively; together, the "Employment Protection Arrangements") occurring after a change in control of the Company; provided that (i) neither the execution of the Merger Agreement nor the Distribution Agreement, nor any transaction contemplated thereby, will constitute a change in control of the Company for any purpose under the Employment Protection Arrangements or give rise to any rights thereunder and (ii) the Employment Protection Arrangements will terminate as of the consummation of the Offer and no rights thereunder will continue after the consummation of the Offer.

Supplemental Severance Program. Prior to the Effective Time, the Company will adopt a severance plan substantially in the form attached to the Merger Agreement as Exhibit E (the "Supplemental Severance Plan") covering up to 150 employees of the Company or its subsidiaries selected by the Company prior to the Effective Time. The Supplemental Severance Program will provide enhanced severance benefits to Company employees upon a dismissal without "cause" or a voluntary termination for "good reason" within twenty-four months after the consummation of the Offer. The benefits under this program, which are payable in addition to a participant's regular severance benefits, will generally be equal to one year's base salary and bonus, plus the cost of acquiring continued welfare benefits coverage for a period of one year. Also, if a participant's regular severance benefits are reduced after the consummation of the Offer, the benefits payable under the program are increased by an equivalent amount. In no event may the payments made to any participant exceed the maximum amount which can be so paid without causing the payments to be treated as "excess parachute payments" for purposes of Section 280G of the Code.

Employee Benefits. Except with respect to accruals under any defined benefit pension plans, Parent will, or will cause the Company to, give Retained Employees full credit for purposes of eligibility, vesting and determination of the level of benefits under any employee benefit plans or arrangements maintained by the Parent, the Company or any subsidiary of Parent or Company for such Retained Employees' service with the Company or any subsidiary of the Company to the same extent recognized by the Company immediately prior to the Effective Time. Parent will, or will cause the Company to, (i) waive all limitations as to pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Retained Employees under any welfare plans that such employees may be eligible to participate in after the Effective Time, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Effective Time under any welfare plan maintained for the Retained Employees immediately prior to the Effective Time, and (ii) provide each Retained Employee with credit for any co-payments and deductibles paid prior to the Effective Time in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans that such employees are eligible to participate in after the Effective Time.

Subject to the terms and conditions of the Merger Agreement and without limitation to the provisions below, Parent, Purchaser and the Company agree to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by the Merger Agreement and the Ancillary Agreements (including, without limitation, (i) cooperating in the preparation and filing of the Offer documents, the Schedule 14D-9, the Form 10, the Information Statement and any amendments to any thereof; (ii) cooperating in making available information and personnel in connection with presentations, whether in writing or otherwise, to prospective lenders to Parent and Purchaser that may be asked to provide financing for the transactions contemplated by the Merger Agreement; (iii) taking of all action reasonably necessary, proper or advisable to secure any necessary consents or waivers under existing debt obligations of the Company and its subsidiaries or amend the notes, indentures or agreements relating thereto to the extent required by such notes,

indentures or agreements or redeem or repurchase such debt obligations; (iv) contesting any pending legal proceeding relating to the Offer, the Merger or the Spin-Off; and (v) executing any additional instruments necessary to consummate the transactions contemplated by the Merger Agreement and the Ancillary Agreements). In case at any time after the Effective Time any further action is necessary to carry out the purposes of the Merger Agreement, the proper officers and directors of each party will use all reasonable efforts to take all such necessary action.

Each of the Company, Parent and Purchaser shall cooperate and use their respective reasonable efforts to make all filings and obtain all consents and approvals of governmental authorities (including, without limitation, the Federal Communication Commission ("FCC")) and other third parties necessary to consummate the transactions contemplated by the Merger Agreement and the Ancillary Agreements. Each of the parties to the Merger Agreement will furnish to the other party such necessary information and reasonable assistance as such other persons may reasonably request in connection with the foregoing.

In addition to and without limiting the agreements of Parent and Purchaser described in the immediately preceding paragraph, Parent, Purchaser and the Company will (i) take promptly all actions necessary to make the filings required of Parent, Purchaser or any of their affiliates under the applicable Antitrust Laws, (ii) comply at the earliest practicable date with any request for additional information or documentary material received by Parent, Purchaser or any of their affiliates from the Federal Trade Commission ("FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division") pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") and from the Commission or other foreign governmental or regulatory authority pursuant to the Antitrust Laws, and (iii) cooperate with the Company in connection with any filing of the Company under applicable Antitrust Laws and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by the Merger Agreement or the Ancillary Agreements commenced by any of the FTC, the Antitrust Division, state attorneys general, the Commission, or other foreign governmental or regulatory authorities.

In furtherance and not in limitation of the covenants of Parent and Purchaser described above, Parent, Purchaser and the Company shall each use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Offer, the Spin-Off, the Merger or any other transactions contemplated by the Merger Agreement or the Ancillary Agreements under any Antitrust Law. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging the Offer, the Spin-Off, the Merger or any other transactions contemplated by the Merger Agreement or the Ancillary Agreements as violative of any Antitrust Law, Parent, Purchaser and the Company will each cooperate 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) (any such decree, judgment, injunction or other order is hereafter referred to as an "Order") that is in effect and that restricts, prevents or prohibits consummation of the Offer, the Spin-Off, the Merger or any other transactions contemplated by the Merger Agreement or the Ancillary Agreements, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal. Parent and Purchaser will each also use their respective reasonable efforts to take all reasonable action, including, without limitation, agreeing to hold separate or to divest any of the businesses or assets of Parent or Purchaser or any of their affiliates, or, following the consummation of the Offer or the Effective Time, of the Company or any of the Retained Subsidiaries, as may be required (i) by the applicable governmental or regulatory authority (including without limitation the FTC, the Antitrust Division, any state attorney general or any foreign governmental or regulatory authority) in order to resolve such objections as such governmental or regulatory authority may have to such transactions under any Antitrust Law, or (ii) by any domestic or foreign court or other tribunal, in any action or proceeding brought by a private party or governmental or regulatory authority challenging such transactions as violative of any Antitrust Law, in order to avoid the entry of, or to effect the dissolution, vacating, lifting, altering or reversal of, any Order that has the effect of restricting, preventing or prohibiting the consummation of the Offer, the Spin-Off, the Merger or any other transactions contemplated by the Merger Agreement or the Ancillary Agreements; provided that Parent will not be required to take any action, divest any asset or enter into any consent decree if the taking of such action, disposing of such asset or entering into such decree would have a Significant Adverse Effect. "Significant Adverse Effect" means any change or effect that, in Parent's judgment, is reasonably likely to adversely affect in a substantial way the benefits and opportunities which Parent reasonably expects to receive from the acquisition of the Retained Business or from Parent's current business.

Each of the Company, Parent and Purchaser will promptly inform the other party of any material communication received by such party from the FTC, the Antitrust Division, the Commission or any other

governmental or regulatory authority regarding any of the transactions contemplated by the Merger Agreement. Parent and/or Purchaser will promptly advise the Company with respect to any understanding, undertaking or agreement (whether oral or written) which it proposes to make or enter into with any of the foregoing parties with regard to any of the transactions contemplated by the Merger Agreement.

"Antitrust Law" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, EC Merger Regulations and all other federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Representations and Warranties. The Merger Agreement contains certain representations and warranties of the parties including, without limitation, representations by the Company as to organization, capitalization, authority relative to the Merger Agreement, consents and approvals, absence of certain changes concerning the Company's business, undisclosed liabilities, reports, offer documents, no default, litigation and compliance with law, employee benefit plans, assets and intellectual property, certain contracts and arrangements, taxes, Retained Business FCC licenses, labor matters, Rights Agreement and certain fees.

Conditions to the Merger. Pursuant to the Merger Agreement, the obligations of each of Parent, the Purchaser and the Company to effect the Merger are subject to the satisfaction or waiver, at or prior to the Effective Time, of certain conditions, including: (a) if required by applicable law, the Merger Agreement will have been adopted by the affirmative vote of the stockholders of the Company by the requisite vote in accordance with applicable law; (b) no statute, rule, regulation, order, decree, or injunction will have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits or restricts the consummation of the Merger, (c) any waiting period applicable to the Merger under the Antitrust Laws will have terminated or expired and all approvals required under the Antitrust Laws will have been received; (d) the Spin-Off will have been consummated in all material respects; and (e) the Offer will not have been terminated in accordance with its terms prior to the purchase of any Shares.

Except if the Purchaser has accepted for payment and paid for Shares validly tendered pursuant to the Offer or fails to accept for payment any Shares pursuant to the Offer in violation of the terms thereof, the obligation of the Company to effect the Merger is further subject to the satisfaction at or prior to the Effective Time of the following conditions: (a) the representations and warranties of Parent and the Purchaser contained in the Merger Agreement will be true and correct in all material respects at and as of the Effective Time as if made at and as of such time; and (b) each of Parent and the Purchaser will have performed in all material respects its obligations under the Merger Agreement required to be performed by it at or prior to the Effective Time pursuant to the terms thereof.

Except if the Purchaser has accepted for payment and paid for Shares validly tendered pursuant to the Offer or fails to accept for payment any Shares pursuant to the Offer in violation of the terms thereof, the obligations of Parent and the Purchaser to effect the Merger are further subject to the satisfaction at or prior to the Effective Time of the following conditions: (a) the representations and warranties of the Company contained in the Merger Agreement will be true and correct in all material respects at and as of the Effective Time as if made at and as of such time; (b) the Company will have delivered to Purchaser certain legal opinions in connection with the Company's public indebtedness; and (c) the Company will have performed in all material respects each of its obligations under the Merger Agreement required to be performed by it at or prior to the Effective Time pursuant to the terms thereof.

Termination. The Merger Agreement may be terminated and the Offer and the Merger may be abandoned at any time (notwithstanding approval of the Merger by the stockholders of the Company) prior to the Effective Time: (a) by mutual written consent of Parent, the Purchaser and the Company; (b) by Parent, Purchaser or the Company if any court of competent jurisdiction in the United States or other United States governmental body will have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise

prohibiting the consummation of the Offer, the Spin-Off or the Merger and such order, decree, ruling or other action is or shall have become nonappealable; (c) by Parent or Purchaser if due to an occurrence or circumstance which would result in a failure to satisfy any of the conditions set forth in Section 15, Purchaser will have (i) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (ii) terminated the Offer, or (iii) failed to pay for Shares pursuant to the Offer prior to June 30, 1996; (d) by the Company if (i) there is no material breach of any representation, warranty, covenant or agreement on the part of the Company and Purchaser has (A) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (B) terminated the Offer or (C) failed to pay for Shares pursuant to the Offer prior to June 30, 1996 or (ii) prior to the purchase of Shares pursuant to the Offer, a Third Party has made a bona fide offer that the Board of Directors of the Company by a majority vote determines in its good faith judgment and in the exercise of its fiduciary duties, based as to legal matters on the written opinion of legal counsel, is a Higher Offer (as defined below); provided, that such termination under this clause (ii) will not be effective until payment of the fee discussed below; (e) by Parent or Purchaser prior to the purchase of Shares pursuant to the Offer, if (i) there has been a breach of any representation or warranty on the part of the Company or Spinco contained in the Merger Agreement or the Distribution Agreement resulting in a Material Adverse Effect (as defined in the Merger Agreement) or materially adversely affecting (or materially delaying) the consummation of the Offer, (ii) there will have been a breach of any covenant or agreement on the part of the Company or Spinco under either the Merger Agreement or the Distribution Agreement resulting in a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, which will not have been cured prior to the earlier of (A) 10 days following notice of such breach or (B) two business days prior to the date on which the Offer expires, (iii) the Company will engage in Active Negotiations (as defined below) with a Third Party with respect to a Third Party Acquisition (as defined below), (iv) the Board of Directors of the Company will have withdrawn or modified (including effecting any amendment of Schedule 14D-9) in a manner adverse to Purchaser, its approval or recommendation of the Offer, the Spin-Off, the Merger, the Merger Agreement or the Distribution Agreement, will have recommended to the Company's stockholders another offer, will have authorized the redemption of any Rights (whether or not in accordance with the Merger Agreement) after the Company's receipt of an Acquisition Proposal, or will have adopted any resolution to effect any of the foregoing or (v) the number of shares validly tendered and not withdrawn when added to the shares beneficially owned by Parent, prior to the expiration of the Offer, does not constitute at least two-thirds of the Shares, determined on a fully diluted basis, and on or prior to such date an entity or group (other than Parent or Purchaser) will have made and not withdrawn a proposal with respect to a Third Party Acquisition; or (f) by the Company if (i) there will have been a breach of any representation or warranty in the Merger Agreement or the Distribution Agreement on the part of Parent or Purchaser which materially adversely affects (or materially delays) the consummation of the Offer or (ii) there will have been a material breach of any covenant or agreement in the Merger Agreement or the Distribution Agreement on the part of Parent or Purchaser which materially adversely affects (or materially delays) the consummation of the Offer which will not have been cured prior to the earlier of (A) 10 days following notice of such breach or (B) two business days prior to the date on which the Offer expires.

Termination Fee. Pursuant to the Merger Agreement, (a) if: (i) Parent or Purchaser terminates the Merger Agreement pursuant to Clause (e)(ii), (iii) or (v) of the immediately preceding paragraph and within 12 months thereafter the Company enters into an agreement with respect to a Third Party Acquisition, or a Third Party Acquisition occurs, involving any party (or any affiliate thereof) (A) with whom the Company (or its agents) had negotiations with a view to a Third Party Acquisition, (B) to whom the Company (or its agents) furnished

information with a view to a Third Party Acquisition or (C) who had submitted a proposal or expressed an interest in a Third Party Acquisition, in the case of each of clauses (A), (B) and (C) after the date of the Merger Agreement and prior to such termination; or (ii) Parent or Purchaser terminates the Merger Agreement pursuant to clause (e)(iii) or (v) of the immediately preceding paragraph and, within 12 months thereafter, a Third Party Acquisition will occur involving a Higher Offer (as defined below); or (iii) Parent or Purchaser terminates the Merger Agreement pursuant to Clause (e)(iv) of the immediately preceding paragraph; or (iv) the Company terminates the Merger Agreement pursuant to clause (d)(ii) of the immediately preceding paragraph; then, in each case, the Company will pay to Parent, within one business day following the execution and delivery of such agreement or such occurrence, as the case may be, or simultaneously with such determination pursuant to clause (d)(ii) above, a fee, in cash, of $175 million; provided, that the Company in no event will be obligated to pay more than one such $175 million fee with respect to all such agreements and occurrences and such termination.

"Active Negotiations" means negotiations with a Third Party that has proposed a Third Party Acquisition or made an Acquisition Proposal, or with such Third Party's agents or representatives with respect to the substance of such Third Party Acquisition or Acquisition Proposal, but will not include (x) communications in connection with, or constituting, the furnishing of information pursuant to a confidentiality agreement as contemplated by the Merger Agreement or (y) communications that include no more than an explicit bona fide rejection of such proposal and a very brief statement of the reasons therefor.

"Third Party Acquisition" means the occurrence of any of the following events: (i) the acquisition of the Company by merger or otherwise by any person (which includes for these purposes a "person" as such term is defined in Section 13(d)(3) of the Exchange Act) or entity other than Parent, the Purchaser or any affiliate thereof (a "Third Party"); (ii) the acquisition by a Third Party of more than 30% of the total assets of the Company and its subsidiaries, taken as a whole; (iii) the acquisition by a Third Party of 30% or more of the outstanding Shares; (iv) the adoption by the Company of a plan of liquidation or the declaration or payment of an extraordinary dividend; or (v) the purchase by the Company or any of its subsidiaries of more than 20% of the outstanding shares.

"Higher Offer" means any Third Party Acquisition which reflects a higher value for the Shares than the aggregate value being provided pursuant to the transactions contemplated by the Merger Agreement and the Ancillary Agreements including, without limitation, the shares of Loral Space Common Stock distributed in the Spin-Off. Prior to the termination of the Merger Agreement by the Company pursuant to clause (d)(ii) above, the Board of Directors will provide a reasonable opportunity to a nationally recognized investment banking firm selected by Parent, Purchaser or their designee (the "IB") to evaluate the proposed Third Party Acquisition, to determine whether it is a Higher Offer and to advise the Board of Directors of the Company of the basis for and results of its determination. The Company agrees to cooperate and cause the Company's financial advisors to cooperate with the IB (including, without limitation, providing the IB with full access to all such information which the IB deems relevant and which the IB agrees to keep confidential) to the extent reasonably requested by the IB. The fees and expenses incurred by the IB shall be paid by Parent. Nothing contained in the definitions of "Active Negotiations", "Third Party Acquisitions" or "Higher Offer" will prevent Parent and Purchaser from challenging, by injunction or otherwise, the termination or attempted termination of the Merger Agreement pursuant to clause (d)(ii) above.

Pursuant to the Merger Agreement, in the event of the termination and abandonment of the Merger Agreement, the Merger Agreement will become void and have no effect, without any liability on the part of any party or its affiliates, directors, officers or stockholders, other than the provisions relating to the termination fee, fees and expenses, governing law, brokerage fees and commissions, indemnification and confidentiality of information, provided, that a party will not be relieved from liability for any breach of the Merger Agreement. Notwithstanding anything to the contrary contained in the Merger Agreement, upon payment by the Company of the fees and expenses referred to in the Merger Agreement, the Company will be released from all liability thereunder, including any liability for any claims by Parent, the Purchaser or any of their affiliates based upon or arising out of any breach of the Merger Agreement or any Ancillary Agreements.

Fees and Expenses. If the Merger Agreement is terminated pursuant to Clause (e)(i) or (e)(ii) above (the "Designated Termination Provisions") or Parent is entitled to receive the $175 million fee under the Merger Agreement, then the Company will reimburse Parent, Purchaser and their affiliates (not later than one business day after submission of statements therefor) for actual documented out-of-pocket fees and expenses, not to exceed $45 million, actually incurred by any of them or on their behalf in connection with the Offer, the proposed Merger and the proposed Spin-Off and the transactions contemplated by the Merger Agreement and the Distribution Agreement (including, without limitation, fees payable to financing sources, investment bankers (including to the IB), counsel to any of the foregoing and accountants), whether incurred prior to or after the date of the Merger Agreement. The Company will in any event pay the amount requested (not to exceed $45 million) within one business day of such request, subject to the Company's right to demand a return of any portion as to which invoices are not received in due course. Except as specifically provided in Section 8.3 of the Merger Agreement and except as otherwise specifically provided in the Distribution Agreement, each party shall bear its own respective expenses incurred in connection with the Merger Agreement, the Offer and the Merger, including, without limitation, the preparation, execution and performance of the Merger Agreement and the Ancillary Agreements and the transactions contemplated thereby, and all fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants.

THE SPIN-OFF

THE DISTRIBUTION AGREEMENT

The following is a summary of certain provisions of the Distribution Agreement. A copy of the Distribution Agreement (with certain Exhibits omitted) is attached hereto as Exhibit (cX3) and is incorporated herein by reference. The following summary is qualified in its entirety by reference to the Distribution Agreement.

Pursuant to the Distribution Agreement, the Company and certain subsidiaries of the Company, through a series of transactions, will transfer to Loral Space all of their respective right, title and interest in and to the following assets (such assets, the "Loral Space Assets"): (a) all shares of capital stock or partnership interests, as the case may be, then owned in the Loral Space Companies, (b) the $712,400,000 cash amount being transferred to the Company pursuant to the Distribution Agreement, (c) the rights to the "Loral" name, (d) all rights to receive management fees from certain of the Loral Space Companies, (e) all rights and interests in any prospective domestic or international direct broadcast satellite projects currently under consideration, (f) certain service provider operations related to Globalstar, (g) certain rights and liabilities with respect to certain litigation in which the Company has an interest, (h) certain corporate aircraft, (i) a portion of the leasehold interest in the Company's New York corporate offices, (j) certain FCC license applications, and (k) certain Warrants to be received from Globalstar in connection with the Company's guarantee of certain Globalstar bank indebtedness, and (l) certain other assets described in the Distribution Agreement, in exchange for the issuance by Spinco to the Company and its subsidiaries of a certain amount of Loral Space capital stock. Concurrently with the actions in the immediately preceding sentence, Loral Space will assume and will in due course pay, perform and discharge (or will cause to be assumed and cause in due course to be paid, performed and discharged), all of the various liabilities (the "Loral Space Liabilities") relating to (a) each business and each former business which is or was conducted by Loral Space or a Loral Space Company as of the date of the Distribution or which is or was included within the Loral Space Assets (all such businesses, the "Loral Space Business"), (b) the employees of Loral Space, and (c) certain other liabilities relating to the Loral Space Companies or the Loral Space Business or otherwise.

As promptly as practicable after the date of the Distribution Agreement and prior to the Distribution Date, the Company and Loral Space will prepare an Information Statement (which will set forth appropriate disclosure concerning Spinco and the Loral Space Companies, the Loral Space Business, the Spin-Off and certain other matters) and Loral Space will file with the Commission a registration statement on Form 10 (which will include or incorporate by reference the Information Statement). The Company and Loral Space will use their respective reasonable efforts to cause the Form 10 to be declared effective under the Exchange Act or, if either the Company or Parent reasonably determines that the Distribution may not be effected without registering the Loral Space

Common Stock pursuant to the Securities Act of 1933, as amended (the "Securities Act"), the Company shall use its best efforts to cause the Loral Space Common Stock to be registered pursuant to the Securities Act and thereafter effect the Distribution in accordance with the terms of the Distribution Agreement, including, without limitation, by preparing and filing on an appropriate form of registration statement under the Securities Act covering the Loral Space Common Stock and using its best efforts to cause such registration statement to be declared effective. Following the effectiveness of such Form 10 (or registration statement, as the case may be), the Company will mail the Information Statement to the holders of the Company Common Stock.

Subject to terms and conditions of the Distribution Agreement, the Company's Board of Directors (or any duly appointed committee thereof) will in its reasonable discretion establish the Spin-Off Record Date and the Distribution Date and any appropriate procedures in connection with the Distribution (subject in each case to the provisions of applicable law) as soon as reasonably practicable following the date of the Distribution Agreement or on such other dates as Parent may reasonably request; provided that (x) the Spin-Off Record Date may not be earlier than the twentieth day following the date on which the Offer is commenced and also may not be earlier than the tenth day following the date on which this Board takes action to establish the Spin-Off Record Date (the "Distribution Declaration Date") and (y) the parties hereto will use their reasonable efforts to cause the Spin-Off Record Date to be established so as to occur immediately prior to the acceptance for payment by the Purchaser of the shares of Common Stock pursuant to the Offer (provided that in no event will the Spin-Off Record Date be established so as to occur as of or at any time after the acceptance for payment by the Purchaser of the shares of common stock pursuant to the Offer); provided further that if all conditions to the Offer have been satisfied or waived prior to the date on which all of the Distribution Conditions (as defined below) have been satisfied (or waived, to the extent expressly permitted by the provisions of the Distribution Agreement), then the Purchaser will be permitted, but not required, to accept for payment at such time the shares of Common Stock pursuant to the Offer notwithstanding the fact that the Distribution Conditions have not been satisfied or waived (provided that prior to such acceptance for payment Purchaser first obtains the consent of the Company, which consent may not be unreasonably withheld). The parties hereto acknowledge and agree that payment of the Distribution will be conditioned on (x) the satisfaction (or waiver, to the extent expressly permitted by the provisions of the Distribution Agreement) of each of the Distribution Conditions on a date which is prior to the fiftieth (50th) day following the Spin-Off Record Date and (y) Parent and Purchaser not having taken any action, on or after the Distribution Declaration Date, to extend or delay the expiration of the Offer to a date which is later than the Spin-Off Record Date.

The obligations of each of the Company, its subsidiaries and Spinco under the Distribution Agreement are subject to the satisfaction of the following conditions (the "Distribution Conditions"): (i) the Purchaser will have notified the Company that it is prepared to immediately accept for payment shares of Company Common Stock pursuant to the terms and conditions of the Offer as set forth in Section 15, (ii) the Spin-Off Record Date will have been set by the Company's Board of Directors, (iii) the Form 10 (or any registration statement filed in lieu thereof) will have been declared effective by the Commission, (iv) the Spinco Common Stock will have been accepted for listing or quotation in accordance with the Distribution Agreement, (v) no court order or law will have been enacted, promulgated, issued or entered against any of the parties which (x) prohibits or materially restricts consummation of any of the transactions contemplated by the Distribution Agreement and (y) remains in effect as of the date on which the satisfaction of this condition is determined, (vi) the Company and each of the Retained Subsidiaries will have obtained all consents required to be obtained by the Company as a result of or in connection with the transactions contemplated by the Distribution Agreement in order to avoid a material default under any material contract to or by which the Company, Spinco or any of their respective subsidiaries is a party or may be bound, or otherwise necessary to permit the Company and each of the Retained Subsidiaries to conduct their business in a manner consistent with its past practices, (vii) all consents and approvals of, and notices to and filings with, any governmental entity or any other person or entity arising out of or relating to the consummation of the transactions contemplated by the Distribution Agreement, will have been obtained or made (as the case may be), (viii) the guarantee by the Company of certain bank indebtedness of Globalstar (the "Globalstar Bank Guarantee") will have been amended so that the provisions thereof shall, following the transactions described above (the "Restructuring"), be amended in the manner contemplated pursuant to the

Distribution Agreement (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date), and (ix) certain merchant banking partnerships affiliated with Lehman Brothers Holdings Inc. (the "Lehman Partnerships") and all other holders of the preferred stock of Loral Aerospace Holdings, Inc. ("Holdings") (if any) will have exchanged all issued and outstanding shares of such preferred stock for shares of capital stock or other equity securities of either Spinco, any Spinco Company or any subsidiary of Spinco.

Following the Spin-Off, Spinco will establish a qualified defined benefit pension plan and trust ("Spinco Pension Plan"). Thereafter, the Company will direct the trustees of the trusts under the Loral Corporation Pension Plan and the Retirement Plan of Loral Aerospace Corp. (the "Company Pension Plans") to transfer in cash or in kind, as agreed to by the Company and Spinco, to the trust under the Spinco Pension Plan, an amount determined by the certified actuary of the Company Pension Plans to be equal to, with respect to each such Company Pension Plan, (A) the product of (i) the fair market value of the assets held under such Company Pension Plan as of the last day of the month prior to the month in which the transfer occurs (the "Valuation Date") and (ii) a fraction, the numerator of which is equal to the present value of all accrued benefits under such Company Pension Plan as of the Distribution Date in respect of Spinco Employees and the denominator of which is equal to the present value of all accrued benefits under such Company Pension Plan less (B) the payments made by such Company Pension Plan between the Distribution Date and the date of transfer in respect of Spinco Employees. From the Valuation Date to the date of transfer, the assets to be transferred will be credited with interest at the interest rate available on a 30-day treasury note at the auction date on or immediately preceding the Valuation Date. Following the Distribution Date, Spinco shall cause SSL to establish a trust intended to qualify under Section 501(a) of the Code ("Spinco SSL Trust") and intended to hold the assets of the Retirement Plan of SSL (the "SSL Plan"). Thereafter, the Company shall direct the Trustees of the Loral Master Pension Trust (the "Master Trust") to transfer in cash or in kind as agreed to by SSL and the Company from the Master Trust to the Spinco SSL Trust, the assets held by the Master Trust under the SSL Plan. Upon the transfers described above, Spinco agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and affiliates from and against any and all Indemnifiable Losses arising out of or related to the Spinco Pension Plan and the SSL Plan, including all benefits accrued by Spinco Employees prior to the Distribution Date under the Company Pension Plans and the SSL Plan.

Spinco will assume and be solely responsible for all liabilities and obligations arising under the Company's retiree welfare plans (including retiree medical plans) with respect to Spinco Employees. The Company will retain and be solely responsible for all liabilities and obligations arising under the Company's retiree welfare plans (including retiree medical plans) with respect to Retained Employees.

Spinco represents and warrants to the Company that (i) except as expressly provided in the Globalstar Bank Guarantee (as amended pursuant to the Distribution Agreement), neither the Company nor any of the Retained Subsidiaries will, after giving effect to the Restructuring, be liable directly or indirectly, as borrower, surety, guarantor, indemnitor or otherwise, with respect to (and that none of the assets of the Company other than the Spinco Assets (such assets the "Retained Assets") will be bound by or subject to) any of the Spinco Liabilities or any Spinco indebtedness, (ii) there are no intercompany agreements between the Company and the Retained Subsidiaries, on the one hand and Spinco and the Spinco Companies on the other in effect as of the date of the Distribution Agreement, which, either individually or in the aggregate, are materially adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Retained Business or (ii) the ability of the Company or any of the Retained Subsidiaries to perform their respective obligations under the Distribution Agreement, the Tax Sharing Agreement or the Stockholders Agreement, (iii) there are no Spinco Assets which have been used within the Retained Business within one year prior to the date of the Distribution Agreement, other than those Spinco Assets which are listed on the Disclosure Schedule to the Distribution Agreement, (iv) except as set forth in the Disclosure Schedule to the Distribution Agreement neither Spinco nor any Spinco Company will, immediately after giving effect to the Restructuring and the Distribution, own, hold or lease, in whole or in part, any of the assets, properties, licenses and rights which are reasonably necessary to carry on the Retained Business as presently conducted, and (v) prior to, on or shortly after the Distribution Date, GTL or Globalstar (as the case may be) will issue to the Company warrants to acquire equity of GTL or Globalstar (as the case may be), which warrants will be on the terms and conditions described in the December 21, 1995 memorandum from Michael B. Targoff to Enrique Fernandez relating to, among other things, the Globalstar Bank Guarantee and the Globalstar Credit Agreement (the "Globalstar Warrant Memorandum") and shall otherwise be on such terms and conditions as are customary to transactions of a similar nature.

Except as otherwise specified by Spinco prior to the Offer Purchase Date, the executive officers of the Company shall be the executive officers of Spinco on and after the Distribution Date. Effective as of the

Distribution Date, (a) those Retained Employees who are employed by the Company or any of its subsidiaries immediately prior to the Distribution Date will become employees of the Company in the same capacities as then held by such employees (or in such other capacities as the Company will determine in its sole discretion) and (b) those Spinco Employees, together with those persons whose primary employment is with the Spinco Business, who are employed by the Company or any of its subsidiaries immediately prior to the Distribution Date will become employees of Spinco in the same capacities as then held by such employees (or in such other capacities as Spinco will determine in its sole discretion).

Prior to the Spin-Off, the Company will establish a rabbi trust or trusts for the benefit of participants in the Company's Supplemental Executive Retirement Plan ("SERP") and will deposit in such rabbi trust or trusts an amount at least equal to the present value of the accrued benefits under the SERP. This amount is not expected to exceed $11 million. The liabilities for the accrued benefits under the SERP with respect to Spinco Employees, and any assets held in the rabbi trust or trusts relating to such liabilities, will be transferred to Spinco as soon as practicable after the Distribution Date.

Each of the parties agree that except as otherwise expressly provided in Article IV of the Distribution Agreement, all existing intercompany agreements in effect immediately prior to the Distribution Date will not be deemed altered, amended or terminated as a result of the Distribution Agreement or the consummation of the transactions contemplated by the Distribution Agreement and will otherwise remain in effect immediately after giving effect to the Restructuring.

In addition to any indemnification required by Articles II, VI and VIII of the Distribution Agreement, subject to the terms and conditions set forth therein, from and after the Distribution Date, Spinco shall indemnify, defend and hold harmless the Company, each Retained Subsidiary, the Purchaser and Parent and each of their respective directors, officers, employees, representatives, advisors, agents and affiliates (collectively, the "Parent

Indemnified Parties") from, against and in respect of any and all indemnifiable losses of the Parent Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, (i) any misrepresentations or breach of warranty made by or on behalf of Spinco or, on or prior to the Offer Purchase Date, made by or on behalf of the Company which misrepresentation or breach of warranty is contained in the Distribution Agreement or the Stockholders Agreement (as defined in this Section 10), (ii) any breach of any agreement or covenant under the Distribution Agreement or the Stockholders Agreement on the part of Spinco or, on or prior to the Offer Purchase Date, on the part of the Company, (iii) any and all Spinco Liabilities, (iv) the conduct of the Spinco Business or any part thereof on, prior to or following the Distribution Date, (v) any transfer of Spinco Assets to, or assumption of Spinco Liabilities by, Spinco or any Spinco Company in accordance with the Distribution Agreement or otherwise in connection with the Restructuring (other than any costs and expenses which have been expressly assumed by the Company pursuant to the provisions of the Distribution Agreement), (vi) any indemnifiable loss resulting from any claims that any statements or omissions relating to or describing directly or indirectly, Spinco, any Spinco Company, the Spinco Business, any Spinco Asset or any Spinco Liability, and which occur on or prior to the Offer Purchase Date (A) in the Information Statement, the Form 10 or in any registration statement filed pursuant to the Distribution Agreement (in each case other than with respect to any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their affiliates, representatives or advisors) and other than any statements or omissions which relate solely to the Merger Agreement and the Distribution Agreement and the transactions contemplated thereby), or (B) in any document(s) filed with the Commission by Spinco or any Spinco Company after the date hereof pursuant to either the Securities Act or the Exchange Act (in each case other than with respect to any statements or omissions which relate solely to the Merger Agreement and the Distribution Agreement and the transactions contemplated thereby), which, in the case of either clause (A) or (B) above, are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (vii) the failure of the Company or Spinco to obtain any final order or other consent or approval of the FCC with respect to any of the transactions contemplated pursuant to either the Distribution Agreement or the Merger Agreement and (viii) any Excluded Indemnifiable Losses (as defined below). Notwithstanding the foregoing, Spinco's indemnification obligations pursuant to the Distribution Agreement will not in any event include any indemnifiable losses arising out of or relating to litigation relating to the Offer and the transactions contemplated thereby, except to the extent of any indemnifiable losses (such indemnifiable losses, the "Excluded Indemnifiable Losses") which the Company is able to demonstrate resulted directly from (a) any statement or omission on the part of Spinco or any of its affiliates in the documents referred to in clause (vi) above or (b) any business activities, assets or liabilities of Spinco, any of the Spinco Companies or the Spinco Business.

Notwithstanding Spinco's obligations to indemnify Parent Indemnified Parties described above, Spinco shall be obligated to indemnify the Parent Indemnified Parties only for those indemnifiable losses under clauses (i), (ii) or (vi) of the immediately preceding paragraph as to which the Parent Indemnified Parties have given Spinco written notice thereof on or prior to the third anniversary of the Distribution Date (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (iii), (iv), (v), (vii) and (viii) of the immediately preceding paragraph; provided further that claims with respect to breaches of covenants and agreements set forth in the Distribution Agreement or in the Stockholders Agreement will survive for the applicable statute of limitations period. Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Parent Indemnified Party has given notice to Spinco pursuant to the Distribution Agreement of any matter which would be the basis for a claim of indemnification by such Parent Indemnified Party pursuant to the immediately preceding paragraph, such Parent Indemnified Party will have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

In addition to any indemnification required by Articles II, VI and VIII of the Distribution Agreement, subject to the terms and conditions set forth therein, from and after the Distribution Date, the Company will indemnify, defend and hold harmless Spinco, each Spinco Company and each of their respective directors, officers, employees, representatives, advisors, agents and affiliates (collectively, the "Spinco Indemnified

Parties") from, against and in respect of any and all indemnifiable losses of the Spinco Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, (i) any breach of the Distribution Agreement or any agreement or covenant set forth in the Distribution Agreement or in the Stockholders Agreement on the part of Parent or the Purchaser or, following the Offer Purchase Date, on the part of the Company, (ii) any and all liabilities of the Company and the Retained Subsidiaries (such liabilities, the "Retained Liabilities"), (iii) the conduct of the businesses of the Company, the Retained Subsidiaries and the Retained Business or any part thereof on, prior to or following the Distribution Date, (iv) any Indemnifiable Loss resulting from any claims that any statements or omissions (A) relating to or describing, directly or indirectly, Parent or the Purchaser, and which occur on or prior to the Offer Purchase Date in any Solicitation/Recommendation Statement on Schedule 14D-9 of the Company filed in connection with the Offer, the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 or Section 3.3 of the Distribution Agreement (in each case only to the extent of any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their affiliates, representatives or advisors), (B) in any Tender Offer Statement on Schedule 14D-1 of the Purchaser or Parent filed in connection with the Offer (other than any statements or omissions made in reliance upon and in conformity with information furnished in writing by the Company, and Retained Subsidiary, Spinco, any Spinco Company or any of their respective affiliates, representatives or advisors), or (C) in any other document(s) filed after the date of the Distribution Agreement by Parent or the Purchaser with the Commission pursuant to either the Securities Act or the Exchange Act or the Exchange Act (e.g., statements or omissions made in a Current Report on Form 8-K filed by either Parent or the Purchaser after the date of the Distribution Agreement pursuant to the Exchange Act), which, in the case of either clauses (A), (B) or (C) above, are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (v) any Indemnifiable Loss arising out of or resulting from litigation relating to the Offer and the transactions contemplated thereby (other than Excluded Indemnifiable Losses). Notwithstanding the foregoing and anything to the contrary in the Distribution Agreement or any other agreement to be entered into pursuant to the Distribution Agreement, the Company shall not be required to indemnify, defend and hold harmless any Spinco Indemnified Party from and against any Indemnifiable Loss resulting from any claims that the statements included in the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 or Section 3.3 of the Distribution Agreement (in each case other than statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their affiliates, representatives or advisors expressly for use therein) are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

Notwithstanding the Company's obligations to indemnify the Spinco Indemnified Parties described in the preceding paragraph, the Company will be obligated to indemnify the Spinco Indemnified Parties only for those Indemnifiable Losses under Clause (i) and (iv) of the immediately preceding paragraph as to which the Spinco Indemnified Parties have given the Company written notice thereof on or prior to the expiration of any applicable statute of limitations period (it being understood that there will be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (ii) and (iii) of the immediately preceding paragraph). Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Spinco Indemnified Party has given notice to the Company of any matter which would be the basis for a claim of indemnification by such Spinco Indemnified Party pursuant to the immediately preceding paragraph, such Spinco Indemnified Party will have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

TAX SHARING AGREEMENT

The following is a summary of certain provisions of the Tax Sharing Agreement (as defined below). A copy of the Tax Sharing Agreement is attached hereto as Exhibit (c)(5) and is incorporated herein by reference. The following summary is qualified in its entirety by reference to the Tax Sharing Agreement.

Pursuant to a tax sharing agreement, to be entered into prior to the consummation of the Offer, between Parent, Purchaser, the Company and Spinco (the "Tax Sharing Agreement"), Parent generally has agreed, among other things, to file all tax returns with respect to, and to pay all taxes imposed upon or attributable to, the Company or the Retained Subsidiaries for all taxable periods, including the taxes incurred in connection with the transfers of the Spinco Assets to Spinco and the Spin-Off Loral Space. Spinco generally has agreed, among other things, to file all tax returns with respect to Loral Space or the Loral Space Spinco Companies for all taxable periods beginning after the Distribution Date and to pay all taxes imposed upon or attributable to Spinco or the Spinco Companies for all taxable periods. The Tax Sharing Agreement will become effective only upon consummation of the Offer.

The foregoing summary of the Distribution Agreement and the Tax Sharing Agreement (together, the "Ancillary Agreements") does not purport to be complete and is qualified in its entirety by reference to the text of the Ancillary Agreements, a copy of each of which is filed as an Exhibit to the Schedule 14D-1 and is incorporated herein by reference. The Schedule 14D-1 may be inspected and copies may be obtained from the offices of the Commission in the same manner as set forth in Section 7.

THE RIGHTS AGREEMENT

The Company has advised Parent that pursuant to the Rights Agreement, on January 7, 1996 the Board of Directors of the Company declared a dividend distribution of one Right for each share of Spinco COMMON STOCK outstanding at the close of business on January 22, 1996 (the "Rights Record Date") and with respect to the Spinco Common Stock issued thereafter until the Rights Distribution Date (as defined below) and, in certain circumstances, with respect to Spinco Common Stock issued after the Distribution Date. Except as set forth below, each Right, when it becomes exercisable, entitles the registered holder to purchase from the Company a unit consisting initially of one one-thousandth of a share (a "Unit") of Series A Preferred Stock, par value $1.00 per share (the "Spinco Rights Preferred Stock"), of Spinco at a Purchase Price of $180 per Unit, subject to adjustment (the "Rights Purchase Price"). The description and terms of the Rights are set forth in the Rights Agreement.

Initially, the Rights were and are attached to all certificates representing shares of Spinco Common Stock then outstanding, and no separate certificates evidencing the Rights (the "Rights Certificates") were or have been distributed. The Rights will separate from the Common Stock and a "Rights Distribution Date" will occur upon the earlier of (i) ten days (or such later date as the Spinco Board of Directors shall determine) following public disclosure that a person or group of affiliated or associated persons has become an "Acquiring Person" (as defined below), or (ii) ten business days (or such later date as the Spinco Board shall determine) following the commencement of a tender offer or exchange offer that would result in a person or group becoming an "Acquiring Person". Except as set forth below, an "Acquiring Person" is a person or group of affiliated or associated persons who has acquired beneficial ownership of 20% or more of the outstanding shares of Spinco Common Stock. The term "Acquiring Person" excludes (i) Spinco, (ii) any subsidiary of Spinco, (iii) any employee benefit plan of Spinco or any subsidiary of Spinco or (iv) any person or entity organized, appointed or established by Spinco for or pursuant to the terms of any such plan.

Until the occurrence of the Rights Distribution Date, (i) the Rights will be evidenced by the Spinco Common Stock certificates and will be transferred with and only with such Spinco Common Stock certificates, (ii) new Spinco Common Stock certificates issued after the Rights Record Date will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificates for Spinco Common Stock outstanding will also constitute the transfer of the Rights associated with the Spinco Common Stock represented by such certificate. Pursuant to the Rights Agreement, Spinco reserves the right to require prior to the occurrence of a Triggering Event (as defined below) that, upon any exercise of Rights, a number of Rights be exercised so that only whole shares of Spinco Preferred Stock will be issued.

As soon as practicable after the occurrence of the Rights Distribution Date, Rights Certificates will be mailed to holders of record of Spinco Common Stock as of the close of business on the Rights Distribution Date

and, thereafter, the separate Rights Certificates alone will represent the Rights. Except in certain circumstances specified in the Rights Agreement or as otherwise determined by the Board of Directors of Spinco, only shares of Spinco Common Stock issued prior to the Rights Distribution Date will be issued with Rights.

The Rights are not exercisable until the occurrence of the Rights Distribution Date. The Rights will expire at the close of business on January 22, 2006, unless extended or earlier redeemed by Spinco as described below.

In the event that, at any time following the Rights Distribution Date, a person becomes an Acquiring Person, each holder of a Right will thereafter have the right to receive, upon exercise of the Right, Spinco Common Stock (or, in certain circumstances, cash, property or other securities of Spinco) having a value equal to two times the exercise price of the Right. Notwithstanding the foregoing, following the occurrence of the event set forth in this paragraph, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person will be null and void and nontransferable and any holder of any such Right (including any purported transferee or subsequent holder) will be unable to exercise or transfer any such Right. For example, at an exercise price of $200 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following an event set forth in this paragraph would entitle its holder to purchase $400 worth of Spinco Common Stock (or other consideration, as noted above) for $200. Assuming that the Spinco Common Stock had a per share value of $40 at such time, the holder of each valid Right would be entitled to purchase ten shares of Spinco Common Stock for $200.

In the event that, at any time following the date on which there has been public disclosure that, or of facts indicating that, a person has become an Acquiring Person (the "Stock Acquisition Date"), (i) Spinco is acquired in a merger or other business combination transaction in which Spinco is not the surviving corporation (other than a merger which follows an offer described in the preceding paragraph), or (ii) 50% or more of Spinco's assets or earning power is sold, mortgaged or transferred, each holder of a Right (except Rights which previously have been voided as set forth above) shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The events set forth in this paragraph and in the preceding paragraph are referred to as the "Triggering Events."

The Purchase Price payable, and the number of Units of Spinco Rights Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Spinco Rights Preferred Stock, (ii) if holders of Spinco Rights Preferred Stock are granted certain rights or warrants to subscribe for Spinco Rights Preferred Stock or convertible securities at less than the current market price of the Spinco Rights Preferred Stock, or (iii) upon the distribution to holders of the Spinco Rights Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Rights Purchase Price will be required until cumulative adjustments amount to at least 1% of the Rights Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Spinco Rights Preferred Stock on the last trading date prior to the date of exercise.

Because of the nature of the Spinco Rights Preferred Stock's dividend and liquidation rights, the value of the one one-thousandth interest in a share of Spinco Rights Preferred Stock purchasable upon exercise of each Right should approximate the value of one share of Spinco Common Stock. Shares of Spinco Rights Preferred Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Spinco Rights Preferred Stock will be entitled to a quarterly dividend payment of 1,000 times the dividend declared per share of Spinco Common Stock. In the event of liquidation, each share of Spinco Rights Preferred Stock will be entitled to a $1.00 preference and, thereafter the holders of the shares of Spinco Rights Preferred Stock will be entitled to an aggregate payment of 1,000 times the aggregate payment made per share of Spinco Common Stock. Each share of Spinco Rights Preferred Stock will have one vote, voting together with the shares of Spinco Common Stock. These rights are protected by customary antidilution provisions.

At any time until ten days following the Stock Acquisition Date, Loral Space may redeem the Rights in whole, but not in part, at a price (the "Spinco Redemption Price") of $.0001 per Right (payable in cash, Spinco Common Stock or other consideration deemed appropriate by the Loral Space Board of Directors) by resolution of the Loral Space Board of Directors. The redemption of the Rights may be made effective at such time, on such basis, and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon such action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of Spinco including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to Spinco, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Loral Space Common Stock (or other consideration) of Spinco or for common stock of the acquiring company as set forth above.

Other than those provisions relating to the principal economic terms of the Rights, any of the provisions of the Rights Agreement may be amended by resolution of Loral Space's Board of Directors. After the Rights Distribution Date, the provisions of the Rights Agreement may be amended by resolution of Loral Space's Board of Directors in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person or its affiliates or associates), or to shorten or lengthen any time period under the Rights Agreement; provided, however, that no amendment to adjust the time period governing redemption shall be made at such time as the Rights are not redeemable.

Because (i) the Offer is an offer to purchase all of the outstanding Shares and the Board has unanimously determined that the Offer described herein is fair to and in the best interests of the Company's stockholders and (ii) on January 7, 1996, the Board of Directors approved amending the Rights Agreement in accordance with the terms of the Merger Agreement, the acquisition of Shares pursuant to the Offer or the consummation of the Merger will not (a) cause any person to become an Acquiring Person or, (b) cause a Rights Distribution Date or a Stock Acquisition Date to occur or cause or require the distribution of any Rights Certificates to the record holders of Spinco Common Stock or, (c) give rise to a Triggering Event.

LORAL SPACE STOCKHOLDERS AGREEMENT

The following is a summary of certain provisions of the Stockholders Agreement (as defined below). A copy of the Stockholders Agreement (with certain Exhibits omitted) is attached hereto as Exhibit and is incorporated herein by reference. The following summary is qualified in its entirety by reference to the Stockholders Agreement.

On or prior to the Distribution Date, the Company and Loral Space will enter into a Stockholders Agreement (the "Stockholders Agreement"), which establishes, among other things, certain conditions with respect to the relationship between Loral Space, on the one hand, and the Company and its affiliates (the "Subject Stockholders"), on the other hand. The Stockholders Agreement limits the ability of the Subject Stockholders, during the term of the Stockholders Agreement, to acquire any voting securities or assets of, or solicit proxies or make a public announcement of a proposal for any extraordinary transaction with respect to, Spinco. The Stockholders Agreement provides that, subject to certain exceptions, the Subject Stockholders are obligated to vote any equity securities of Spinco, at the option of the Subject Stockholders, either (i) as recommended by the Board of Directors or management of Loral Space, or (ii) in the same proportions as the holders of equity securities of Spinco vote their securities. The Stockholders Agreement also limits the ability of the Subject Stockholders to transfer the equity securities of Spinco held by the Subject Stockholders except pursuant to a registered public offering or the provisions of Rule 144 under the Exchange Act or pursuant to certain permitted transfers. The Stockholders Agreement provides that if, within one year following the date thereof, the Subject Stockholders vote against certain business combination transactions, Loral Space shall have the right to purchase from the Subject Stockholders all of the equity securities of Spinco held by the Subject Stockholders at an agreed upon price. The Stockholders Agreement also provides that if, within one year following the date thereof certain transaction occur, the Company shall have the right to purchase from Spinco (including any successor to the

rights and obligations of Loral Space) a certain number of shares of Spinco (or such successor) at an agreed upon price. The Stockholders Agreement also provides that in the event of certain transactions, the Subject Stockholders shall have the right to require Loral Space to purchase the GlobalStar Warrants (as defined in the Stockholders Agreement) for an agreed upon price. The Stockholders Agreement further provides that under certain circumstances and subject to certain conditions the Subject Stockholders may require Spinco to register under the Securities Act any Loral Space securities held by the Subject Stockholders. The Stockholders Agreement provides, subject to certain exceptions, that, in the event of a tender offer, if Subject Stockholders wish to sell or transfer any Loral Space securities pursuant to the tender offer the Subject Stockholders must first offer the shares for sale to Loral Space. The term of the Stockholders Agreement will continue until the earlier of (x) the date on which the voting power of the equity securities owned by the Subject Stockholders represent, on a fully-diluted basis, less than five percent (5%) of the total voting power, (y) the seventh anniversary of the date of the agreement, or (z) a change of control in Loral Space.

It is anticipated that Parent will enter into an employment agreement with Frank C. Lanza. The agreement will provide for Mr. Lanza to serve as Executive Vice President and co-Chief Operating Officer of Parent for a period commencing with the Effective Time. The terms of the agreement have not yet been determined.

11. PURPOSE OF THE OFFER, THE MERGER AND THE SPIN-OFF; PLANS FOR THE COMPANY.

Purpose of the Offer. The purpose of the Offer, the Merger and the Spin-Off is for the Purchaser to acquire control of the entire equity interest of the Retained Business (and to acquire a 20% equity interest in Loral Space). Consummation of the Offer in accordance with its terms and conditions will provide the Purchaser with at least a two-thirds equity interest in the Company. As described above, as a result of the Spin-Off, the Company will continue to own only the Retained Business and a 20% equity interest in Loral Space. The Merger will allow the Purchaser to acquire all outstanding Shares not tendered and purchased pursuant to the Offer. The acquisition of the entire equity interest in the Retained Business and the 20% equity interest in Spinco has been structured as a cash tender offer followed by the Spin-Off and a cash merger in order to provide a prompt and orderly transfer of ownership of the Retained Business and the 20% equity interest in Loral Space from the public stockholders of the Company to Parent and to provide stockholders with cash and Loral Space Shares for all their Shares. The purchase of Shares pursuant to the Offer will increase the likelihood that the Merger will be effected.

Except as noted in this Offer to Purchase, neither Parent nor the Purchaser has any present plans or proposals that would result in an extraordinary corporate transaction, such as a merger, reorganization, liquidation, relocation of operations, or sale or transfer of assets, involving the Company or any of its subsidiaries, or any material changes in the Company's corporate structure or business or the composition of its management or personnel.

12. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; STOCK EXCHANGE LISTING; REGISTRATION UNDER THE EXCHANGE ACT. The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and may reduce the number of holders of Shares, which could adversely affect the liquidity and market value of the remaining Shares held by stockholders other than the Purchaser. The Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of the Shares or whether it would cause future market prices to be greater or less than the Offer price.

Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the requirements of the NYSE for continued listing and may, therefore, be delisted from such exchange. According to the NYSE's published guidelines, the NYSE could consider delisting the Shares if, among other things, the number of publicly held Shares (excluding Shares held by officers, directors, their immediate families and other concentrated holdings of 10% or more) were less than 600,000, there were less than 1,200 holders of at least 100 shares or the aggregate market value of the publicly held Shares were less than $5 million. If, as a result of the purchase of Shares pursuant to the Offer, the Shares no longer meet the requirements of the NYSE for continued listing and the listing of Shares on such exchanges is discontinued, the market for the Shares could be adversely affected.

If the NYSE were to delist the Shares, it is possible that the Shares would trade on another securities exchange or in the over-the-counter market and that price quotations for the Shares would be reported by such exchange or through NASDAQ or other sources. The extent of the public market for the Shares and availability of such quotations would, however, depend upon such factors as the number of holders and/or the aggregate market value of the publicly held Shares at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration of the Shares under the Exchange Act and other factors.

The Shares are currently "margin securities" under the regulations of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of the Shares. Depending upon factors similar to those described above regarding listing and market quotations, the Shares might no longer constitute "margin securities" for the purposes of the Federal Reserve Board's margin regulations and, therefore, could no longer be used as collateral for loans made by brokers.

The Shares are currently registered under the Exchange Act. Such registration may be terminated if the Shares are not listed on a national securities exchange and there are fewer than 300 holders of record. Termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Shares and to the Commission and would make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy or information statement in connection with stockholder action and the related requirement of an annual report to stockholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. Furthermore, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or eligible for listing on a securities exchange or NASDAQ reporting. It is the current intention of Parent to deregister the Shares after consummation of the Offer if the requirements for termination of registration are met.

13. DIVIDENDS AND DISTRIBUTIONS. If, on or after the date of the Merger Agreement, the Company should (i) split, combine or otherwise change the Shares or its capitalization, (ii) issue or sell any additional securities of the Company or otherwise cause an increase in the number of outstanding securities of the Company (except for Shares issuable upon the exercise of employee stock options outstanding on the date of the Merger Agreement) or (iii) acquire currently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares, then, without prejudice to the Purchaser's rights under Sections 1 and 15, the Purchaser, in its sole discretion, subject to the terms of the Merger Agreement, may make such adjustments as it deems appropriate in the purchase price and other terms of the Offer.

If, on or after the date of the Merger Agreement, the Company should declare or pay any dividend on the Shares or make any distribution (including, without limitation, cash dividends, the issuance of additional Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities, but excluding any regular quarterly dividend on the Shares of not more than $.08 per share on the dividend and payment dates normally applicable to the Shares) with respect to the Shares, other than Spinco Shares payable or distributable in respect of the Shares in connection with the Spin-Off, that is payable or distributable to stockholders of record on a date prior to the transfer to the name of the Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to the Purchaser's rights under Sections 1 and 15, any such dividend, distribution or right to be received by the tendering stockholders will be received and held by the tendering stockholders for the account of the Purchaser and will be required to be promptly remitted and transferred by each tendering stockholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, the Purchaser will be entitled to all rights and privileges as owner of any such dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by the Purchaser in its sole discretion.

14. EXTENSION OF TENDER PERIOD; AMENDMENT; TERMINATION. The Purchaser expressly reserves the right, in its sole discretion, at any time or from time to time, regardless of whether or not any of the events set forth in Section 15 will have occurred or will have been determined by the Purchaser to have occurred, subject to the terms of the Merger Agreement and applicable rules of the Commission, (i) to extend the period of time during which the Offer is open and thereby delay acceptance for payment of, and the payment for, any Shares, by giving oral or written notice of such extension to the Depositary and (ii) to amend the Offer in any respect by giving oral or written notice of such amendment to the Depositary. In the Merger Agreement, Parent and the Purchaser have agreed not to extend the Expiration Date beyond the twentieth business day following commencement of the Offer unless one or more of the conditions set forth in Section 15 is not satisfied or unless Parent reasonably determines that such extension is necessary to comply with any legal or regulatory requirements relating to the Offer or the Spin-Off. Parent and Purchaser have also agreed in the Merger Agreement, subject to the terms and conditions thereof, to extend the Expiration Date if the Offer would otherwise expire prior to Split-Off Record Date or the expiration or termination of any applicable waiting period under the Antitrust Laws. In the Merger Agreement, the Purchaser expressly reserves the right to amend the terms or conditions of the Offer; provided, that without the consent of the Company, the Purchaser will not amend the terms or conditions of the Offer to change the form of consideration to be paid or decrease the price per Share payable in the Offer, the number of Shares sought in the Offer or to impose conditions to the Offer in addition to those set forth in Section 15 or to amend any other term of the Offer in any manner materially adverse to the holders of Shares. The rights reserved by the Purchaser in this paragraph are in addition to the Purchaser's rights to terminate the Offer pursuant to Section 15. Any extension, amendment or termination will be followed as promptly as practicable by public announcement thereof, the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date in accordance with the public announcement requirements of Rules 14d-4(c) and 14e-1(d) under the Exchange Act. Any reduction in the purchase price pursuant to the Merger Agreement will be considered an amendment to the Offer, and will be followed by the appropriate announcement. Without limiting the obligation of the Purchaser under such Rules or the manner in which the Purchaser may choose to make any public announcement, the Purchaser currently intends to make announcements by issuing a release to the Dow Jones News Service or the Reuters News Service.

The Purchaser also reserves the right, in its sole discretion, subject to the terms of the Merger Agreement, in the event any of the conditions specified in Section 15 will not have been satisfied and so long as Shares have not theretofore been accepted for payment, to delay (except as otherwise required by applicable law) acceptance for payment of or payment for Shares or to terminate the Offer and not accept for payment or pay for Shares.

If the Purchaser extends the Offer, or if the Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its purchase of or payment for Shares or is unable to pay for Shares pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may retain tendered shares on behalf of the Purchaser, and such Shares may not be withdrawn except to the extent tendering stockholders are entitled to withdrawal rights as described in Section 4. However, the ability of the Purchaser to delay the payment for Shares which the Purchaser has accepted for payment is limited by Rule 14e-1(c) under the Exchange Act, which requires that a bidder pay the consideration offered or return the securities deposited by or on behalf of holders of securities promptly after the termination or withdrawal of such bidder's offer.

If the Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer (including the Minimum Condition), the Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c) and 14d-6(d) under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances, including the relative materiality of the terms or information. With respect to a change in price or a change in percentage of securities sought, a minimum ten business day period is generally required to allow for adequate dissemination to stockholders and investor response. If prior to the Expiration Date, the Purchaser should decide to increase the price per Share being offered in the Offer, such increase will be applicable to all stockholders whose Shares are accepted for payment pursuant to the Offer. As used in this Offer to Purchase, "business day" means any day other than Saturday, Sunday or a federal holiday and consists of the time period from 12:01 A.M. through 12:00 Midnight, New York City time as computed in accordance with Rule 14d-l under the Exchange Act.

15. CERTAIN CONDITIONS TO THE OFFER. Notwithstanding any other provision of the Offer, Purchaser shall not be required to accept for payment or pay for, and may delay the acceptance for payment of (whether or not the Shares have theretofore been accepted for payment), or the payment for, any Shares tendered, and may terminate or extend the Offer and not accept for payment any Shares, if:

(i) immediately prior to the expiration of the Offer (as extended in accordance with the terms of the Offer), (A) any applicable waiting period under the Antitrust Laws will not have expired or been terminated or any approvals required under the EC Merger Regulation (as defined below) will not have been received, (B) the Spin-Off Record Date for the distribution of shares of Spinco common stock to stockholders of the Company pursuant to the Distribution Agreement will not have been set by the Company's Board of Directors, (C) the public indenture merger opinions will not have been delivered to Purchaser and the applicable public indenture trustees, or (D) the number of Shares validly tendered and not withdrawn when added to the Shares then beneficially owned by Parent does not constitute two-thirds of the Shares then outstanding and represent two-thirds of the voting power of the Shares then outstanding on a fully diluted basis on the date of purchase; OR (ii) on or after the date of the Merger Agreement and prior to the acceptance for payment of Shares, any of the following conditions exist:

(a) any of the representations or warranties of the Company contained in the Merger Agreement will not have been true and correct at the date when made or (except for those representations and warranties made as of a particular date which need only be true and correct as of such date) shall cease to be true and correct at any time prior to consummation of the Offer, except where the failure to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect (as defined in the Merger Agreement); provided, that if any such failure to be so true and correct is curable by the Company through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (a) until 10 business days after written notice thereof has been given to the Company by Parent or Purchaser and unless at such time the matter has not been cured; or

(b) any of the representations or warranties of Spinco contained in the Distribution Agreement will not have been true and correct at the date when made or (except for those representations and warranties made as of a particular date which need only be true and correct as of such date) will cease to be true and correct at any time prior to consummation of the Offer, except where the failure to be so true and correct would not individually or in the aggregate, have a Material Adverse Effect; provided, that if any such failure to be so true and correct is curable by Spinco through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (b) until 10 business days after written notice thereof has been given to the Company by Parent or Purchaser and unless at such time the matter has not been cured; or

(c) the Company will have breached any of its covenants or agreements contained in the Merger Agreement, except for any such breaches that, individually or in the aggregate, would not have a Material Adverse Effect; provided that, if any such breach is curable by the Company through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (c) until 10 business days after written notice thereof has been given to the Company by Parent or Purchaser and unless at such time the breach has not been cured; or

(d) Spinco or the Company will have breached any of its covenants or agreements contained in the Distribution Agreement, except for any such breaches that, individually or in the aggregate, would not have a Material Adverse Effect; provided, that if any such breach is curable by Spinco or the Company through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (d) until 10 business days after written notice thereof has been given to the Company or Spinco, as the case may be, by Parent or Purchaser and unless at such time the breach has not been cured; or

(e) there will have been any statute, rule, regulation, judgment, order or injunction promulgated, enacted, entered, enforced or deemed applicable to the Offer, or any other legal action will have been taken, by any state, federal or foreign government or governmental authority or by any U.S. court, other than the routine application to the Offer, the Merger or the Spin-Off of waiting periods under the HSR Act, that presents a substantial likelihood of (1) making the acceptance for payment of, or the payment for, some or

all of the Shares illegal or otherwise prohibiting, restricting or significantly delaying consummation of the Offer, (2) imposing material limitations on the ability of Purchaser or Parent to acquire or hold or to exercise any rights of ownership of the Shares, or effectively to manage or control the Retained Business, the Company, the Retained Subsidiaries, Purchaser or any of their respective affiliates, which individually or in the aggregate could constitute a Significant Adverse Effect; or

(f) any fact or circumstance exists or will have occurred that has a Material Adverse Effect; or

(g) there will have occurred (1) any general suspension of trading in, or limitation on prices for, securities on the NYSE, (2) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (3) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States and having a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, (4) any limitation or proposed limitation (whether or not mandatory) by any U.S. governmental authority or agency, or any other event, that materially adversely affects generally the extension of credit by banks or other financial institutions, (5) from the date of the Merger Agreement through the date of termination or expiration of the Offer, a decline of at least 25% in the Standard & Poor's 500 Index or (6) in the case of any of the situations described in clauses (1) through (5) inclusive, existing at the date of the commencement of the Offer, a material acceleration, escalation or worsening thereof; or

(h) any person (which includes a "person" as such term is defined in Section 13(d)(3) of the Exchange Act) other than Purchaser, any of its affiliates, or any group of which any of them is a member will have acquired beneficial ownership of more than 20% of the outstanding Shares or will have entered into a definitive agreement or an agreement in principle with the Company with respect to a tender offer or exchange offer for any Shares or merger, consolidation or other business combination with or involving the Company or any of its subsidiaries; or

(i) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company will have withdrawn or modified (including by amendment of the Schedule 14D-9) in a manner adverse to Purchaser its approval or recommendation of the Offer, the Merger Agreement, the Merger or the Spin-Off, will have recommended to the Company's stockholders another offer, will have authorized the redemption of the Rights (whether or not in accordance with Section 6.1(k) of the Merger Agreement) after the Company has received an Acquisition Proposal, or will have adopted any resolution to effect any of the foregoing which, in the sole judgment of Purchaser in any such case, and regardless of the circumstances (including any action or omission by Purchaser) giving rise to any such condition, makes it inadvisable to proceed with such acceptance for payment; or

(j) the Merger Agreement will have been terminated in accordance with its terms; or

(k) the Spin-Off Record Date will not have occurred; or

(l) the conditions to the Spin-Off will not have been satisfied or waived; OR

(iii) Parent and Purchaser will not have secured financing on terms reasonably acceptable to Parent to finance the purchase of all of the Shares at the Merger Price and to consummate the transactions contemplated by the Merger Agreement and the Ancillary Agreements; provided, that the condition set forth in this clause (iii) will be a condition to Purchaser's obligations with respect to the Offer only if (A) the Offer has not been consummated on or before April 30, 1996, (B) Parent has not taken any significant action outside of the ordinary course of business, which prevents Parent from obtaining sufficient financing to purchase all of the Shares at the Merger Price and to consummate the transactions contemplated by the Merger Agreement and the Ancillary Agreements and (C) Parent and Purchaser are in substantial compliance with their respective material obligations under Sections 6.4, 6.5 and 6.6 of the Merger Agreement.

The foregoing conditions are for the sole benefit of Purchaser and may be asserted by Purchaser regardless of the circumstances giving rise to such conditions, or may be waived by Purchaser in whole or in part at any time and from time to time in its sole discretion; provided, that the condition set forth in clause (ii)(j) above may be waived or modified only by the mutual consent of Purchaser and the Company.

16. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS. Except as described in this Section 16, based on a review of publicly available filings by the Company with the Commission and other publicly available information concerning the Company, neither Parent nor the Purchaser is aware of any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by the acquisition of Shares by the Purchaser or Parent pursuant to the Offer, the Merger or otherwise or of any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required prior to the acquisition of Shares by the Purchaser or Parent pursuant to the Offer, the Merger or otherwise. Should any such approval or other action be required, Parent and the Purchaser currently contemplate that it will be sought. While the Purchaser does not currently intend to delay the acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, there can be no assurance that any such approval or other action, if needed, would be obtained or would be obtained without substantial conditions or that adverse consequences might not result to the business of the Company or Parent or that certain parts of the business of the Company or Parent might not have to be disposed of in the event that such approvals were not obtained or any other actions were not taken. The Purchaser's obligation under the Offer to accept for payment and pay for Shares is subject to certain conditions, including conditions relating to the legal matters discussed in this Section 16. See Section 15.

State Takeover Statutes. The Company is incorporated under the laws of the State of New York. Section 912 of the NYBCL prohibits certain "business combinations" (defined to include mergers and consolidations) involving a New York corporation and an "interested shareholder" (defined generally as a person who is the beneficial owner of 20% or more of the outstanding voting stock of such New York corporation) for a period of five years following the date on which such interested shareholder became such (such date, a "stock acquisition date") unless such business combination or the purchase of stock made by such interested shareholder is approved by the board of directors of such New York corporation prior to such interested shareholder's stock acquisition date or certain other statutory conditions have been met. At a meeting on January 7, 1996, the Board of Directors approved the Merger Agreement, the Merger, the Offer and the Purchaser's purchase of Shares pursuant to the Offer. Accordingly, the provisions of Section 912 of the NYBCL have been satisfied with respect to the Offer and the Merger and such provisions will not delay the consummation of the Merger. Article 16 of the NYBCL also requires a bidder for shares of a New York corporation to file a registration statement with the attorney general and satisfy certain disclosure requirements. Parent and the Purchaser have filed such a registration statement and this Offer to Purchase sets forth the information required to be disclosed pursuant to Article 16 of the NYBCL.

A number of other states have adopted "takeover" statutes that purport to apply to attempts to acquire corporations that are incorporated in such states, or whose business operations have substantial economic effects in such states, or which have substantial assets, security holders, employees, principal executive offices or places of business in such states.

In Edgar v. MITE Corporation, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Act, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without prior approval of the remaining stockholders, provided that such laws were applicable under certain conditions, in particular, that the corporation has a substantial number of stockholders in the state and is incorporated there.

The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted "takeover" statutes. The Purchaser does not know whether any of these statutes will, by their terms, apply to the Offer, and has not complied with any such statutes other than those adopted by the State of New York. To the extent that certain provisions of these statutes purport to apply

to the Offer, the Purchaser believes that there are reasonable bases for contesting such statutes. If any person should seek to apply any state takeover statute, the Purchaser would take such action as then appears desirable, which action may include challenging the validity or applicability of any such statute in appropriate court proceedings. If it is asserted that one or more takeover statutes apply to the Offer, and it is not determined by an appropriate court that such statute or statutes do not apply or are invalid as applied to the Offer, the Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities, and the Purchaser might be unable to purchase or pay for Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment or pay for Shares tendered. See Section 15.

Antitrust. Under the HSR Act, certain acquisitions may not be consummated unless information has been furnished to the FTC and the Antitrust Division and certain waiting period requirements have been satisfied. The Offer and the acquisition of Shares pursuant to the Merger Agreement are subject to the HSR Act. Parent expects to file a Notification and Report Form with respect to the Offer on or before January 19, 1996.

Under the provisions of the HSR Act applicable to the Offer, the purchase of Shares under the Offer may not be consummated until the expiration of a 15-calendar day waiting period following the filing by Parent. Accordingly, if Parent files its HSR Notification and Report Form on January 19, 1996, the waiting period with respect to the Offer will expire at 11:59 p.m., New York City time, on February 3, 1996, unless Parent receives a request for additional information or documentary material, or the Antitrust Division and the FTC terminate the waiting period prior thereto. If, within such 15-day waiting period, either the Antitrust Division or the FTC requests additional information or material from Parent concerning the Offer, the waiting period will be extended and would expire at 11:59 p.m., New York City time, on the tenth calendar day after the date of substantial compliance by Parent with such request. Only one extension of the waiting period pursuant to a request for additional information is authorized by the HSR Act. Thereafter, such waiting period may be extended only by court order or with the consent of Parent. The Purchaser will not accept for payment Shares tendered pursuant to the Offer unless and until the waiting period requirements imposed by the HSR Act with respect to the Offer have been satisfied. See Section 15.

No separate HSR Act waiting period requirements with respect to the Merger Agreement will apply, so long as the 15-day waiting period expires or is terminated. Thus, all Shares will be acquired pursuant to the Offer at the close of the 15-day waiting period or on the tenth calendar day after the date of substantial compliance with a request for additional information (assuming all other conditions to the Offer have been satisfied or waived in accordance with the provisions thereof).

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the Purchaser's acquisition of Shares pursuant to the Offer and the Merger Agreement. At any time before or after the Purchaser's acquisition of Shares, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition of Shares pursuant to the Offer or otherwise or seeking divestiture of Shares acquired by the Purchaser or divestiture of substantial assets of Parent or its subsidiaries. Private parties and state attorneys general may also bring legal action under the antitrust laws under certain circumstances. Based upon an examination of publicly available information relating to the businesses in which Parent and the Company are engaged, Parent and the Purchaser believe that the acquisition of Shares by the Purchaser will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Offer or other acquisition of Shares by the Purchaser on antitrust grounds will not be made or, if such a challenge is made, of the result. See Section 15 for certain conditions to the Offer, including conditions with respect to litigation and certain governmental actions.

EC Merger Regulation. According to the Company 10-K, the Company may conduct substantial operations within the European Community (the "EC") and certain of the individual member states of the EC. The EC Merger Regulation requires that notices of concentrations with a "community dimension" be provided to the EC Commission for review and approval prior to being put into effect. The Offer will be deemed to have a

"community dimension" if the combined aggregate worldwide annual revenues of both the Company and the Purchaser exceeds ECU 5 billion, if the community-wide annual revenues of each of the Company and the Purchaser exceed ECU 250 million, and if both the Company and the Purchaser do not receive more than two-thirds of their respective community-wide revenues from one and the same member state. Based upon information contained in the Company 10-K, the Purchaser believes that the Offer may be considered to have a "community dimension" if the Offer falls within the EC Merger Regulation, the EC Commission, as opposed to individual member states, has exclusive jurisdiction to review it, subject to certain exceptions.

Under the EC Merger Regulation, a concentration that meets the foregoing guidelines requires the filing of a notice in a prescribed form with the EC Commission. This filing must normally be made within seven days of the earlier of the announcement of a public bid, the conclusion of the relevant agreement or acquisition of a controlling interest, although extensions of time are sometimes granted. Transactions subject to the filing requirements of the EC Merger Regulation are suspended automatically until three weeks after receipt of the notice. The EC Commission may extend the suspension period for such period as it finds necessary to make a final decision on the legality of the transaction. In the case of a public bid, the bidder may acquire shares of the target company during the suspension period, but may not vote such shares until after the end of the period unless the EC Commission grants permission to do so in order to permit the bidder to maintain the full value of its investment.

The EC Commission must decide whether to initiate proceedings within one month after the receipt of the notice, subject to certain extensions for EC holidays or if an individual member state has requested a referral of the transaction. If proceedings are initiated, the EC Commission must reach a decision in the proceedings within four months of the commencement of the proceedings. If the EC Commission fails to reach a decision within either of these time periods the transactions will be deemed to be compatible with the common market.

If the EC Commission declares the Offer to be not compatible with the common market, it may prevent the consummation of the transaction, order a divestiture if the transaction has already been consummated or impose conditions or other obligations. In the event that the transaction is found not to be subject to the EC Merger Regulation, various national merger control regimes of the member states may apply, and it may be necessary to obtain approvals from such national authorities.

There can be no assurance that a challenge to the Offer will not be made pursuant to the EC Merger Regulation and if such a challenge is made, what the outcome will be, or, alternatively, if the concentration does not meet the aforementioned guidelines and does not require the filing of a notice with the EC Commission, what the outcome will be pursuant to the merger regulations of one or more of the various member states.

FCC Regulation. The Communications Act of 1934, as amended (the "Communications Act"), requires prior approval by the FCC of the assignment or transfer of control of any radio or satellite license or licensee, or the assignment or transfer of any rights arising under any such license. The FCC distinguishes between pro forma transfers and assignments, in which ultimate ownership and control are not substantially changed and for which applications are processed on an expedited basis, and "substantial" assignments and transfers of control, which trigger an opportunity for public comment and receive a more comprehensive review by the FCC. Applications must be filed with the FCC seeking approval of both pro forma and substantial assignments and transfers. The Communications Act requires the FCC to find that the proposed transfer or assignment would serve the public interest, convenience and necessity as a prerequisite to granting approval. The FCC may also require that the applicant demonstrate that it possesses the requisite legal, financial, technical and other qualifications to operate the licensed facilities before it will approve the assignment or transfer. The FCC assesses, as part of the process of considering applications proposing assignments or transfers of control of FCC licenses or licensees, certain information with respect to officers, directors and stockholders of the entity to which control is to be transferred.

The Offer and acquisition of Shares pursuant to the Merger Agreement will result in substantial assignments of, and transfers of control over, certain private radio licenses used internally by the Company in connection with its defense electronics and systems integration business. Such assignments and transfers will require prior

FCC approval. The public-comment period, however, will not be triggered because these licenses are private radio licenses. Moreover, in the case of private radio licenses, special temporary authorizations possibly may be obtained to allow the Offer and acquisition of Shares to close even if the FCC has not yet granted its approval of the underlying private radio transfer applications. In addition, based on publicly available information, Parent and Purchaser believe that the Spin-Off will result in a pro forma assignment of, and transfer of control over, certain licenses and authorizations issued by the FCC to the Company and its subsidiaries in connection with their telecommunications and space systems business, which will require prior FCC approval. There can be no assurance that challenge to the Offer or the Spin-Off will not be made pursuant to the Communications Act, and if such challenge were made, what the outcome would be.

Commission Approval of Information Statement. The Company intends to file the Information Statement with the Commission as part of a registration statement of the Spinco Shares under the Exchange Act. The Company may not distribute the Information Statement or the Spinco Shares until the Commission has reviewed such registration statement and declared it effective.

Margin Rules. The Purchaser and Parent believe that the requirements of the margin regulations promulgated by the Federal Reserve Board are not applicable to the financing of the Offer and the Merger.

Short-Form Merger. Section 905 of the NYBCL would permit the Merger to occur without a vote of the Company's shareholders (a "short-form merger") if the Purchaser were to acquire at least 90% of the outstanding Shares in the Offer.

17. FEES AND EXPENSES. Parent and the Purchaser have engaged Bear Stearns to act as financial advisor to Parent in connection with the proposed acquisition of the Company and as Dealer Manager in connection with the Offer. Parent has agreed to pay Bear Stearns a fee of $5 million as compensation for its services to date as financial advisor to Parent and an additional fee of $20 million upon the consummation of the purchase by Parent or Purchaser of more than 50% of the capital stock of the Company for a total fee of $25 million. If Parent or Purchaser receives recovery of expenses or any other similar fee pursuant to the Merger Agreement, then Parent shall pay Bear Stearns immediately upon receipt of such expenses an additional fee of $20 million. The Purchaser also has agreed to reimburse Bear Stearns for its expenses, including reasonable counsel fees and to indemnify it against certain liabilities and expenses, including certain liabilities under the federal securities laws.

The Purchaser has retained Morrow & Co. to act as the Information Agent and First Chicago Trust Company of New York to act as the Depositary in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telex, facsimile, telegraph and personal interview and may request brokers, dealers, commercial banks, trust companies and other nominees to forward the Offer material to beneficial owners. The Information Agent and Depositary each will receive reasonable and customary compensation for their services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws. The Depositary has not been retained to make solicitations or recommendations in connection with the Offer.

Neither the Purchaser nor Parent will pay any fees or commissions to any broker or dealer or other persons for soliciting tenders of Shares pursuant to the Offer (other than the fees of the Dealer Manager and the Information Agent). Brokers, dealers, commercial banks and trust companies will be reimbursed by the Purchaser for reasonable expenses incurred by them in forwarding material to their customers.

18. MISCELLANEOUS. The Purchaser is not aware of any jurisdiction in which the making of the Offer is not in compliance with applicable law. If the Purchaser becomes aware of any jurisdiction in which the making of the Offer would not be in compliance with applicable law, the Purchaser will make a good faith effort to comply with any such law. If, after such good faith effort, the Purchaser cannot comply with any such law, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares residing in such jurisdiction. In those jurisdictions where securities or blue sky laws require the Offer to be made by a licensed broker or dealer, the Offer is being made on behalf of the Purchaser by the Dealer Manager or one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF THE PURCHASER OR PARENT NOT CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

The Purchaser has filed with the Commission the Schedule 14D-1 pursuant to Rule 14d-3 under the Exchange Act, furnishing certain additional information with respect to the Offer, and may file amendments thereto. The Schedule 14D-l and any amendments thereto, including exhibits, may be inspected and copies may be obtained at the same places and in the same manner as set forth in Section 7 (except they will not be available at the regional offices of the Commission).

LAC Acquisition Corporation

January 12, 1996

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF PARENT

The name, business address, present principal occupation or employment and five-year employment history of each director and executive officer of Parent and certain other information are set forth below. Unless otherwise indicated below, the address of each director and officer is c/o 6801 Rockledge Drive, Bethesda, Maryland 20817. No information is provided in the right-hand column where the individual has occupied the position indicated in the middle column for the past five years and holds no outside directorships. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Parent. All directors and officers listed below are citizens of the United States. Parenthetical years indicate the year the individual was elected or appointed a director of Lockheed Corporation or Martin Marietta Corporation (which were combined into Lockheed Martin Corporation in the first quarter of 1995).

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
Norman R. Augustine (60)	President and Chief Executive Officer; Director (1986)	President of Lockheed Martin Corporation since March 16, 1995 and Chief Executive Officer of Lockheed Martin Corporation since January 1, 1996. Chairman of the Board of Martin Marietta from 1988 to 1995 and Chief Executive Officer from 1987 to 1995; served as Vice Chairman of Martin Marietta between 1987 and 1988, as President and Chief Operating Officer in 1986 and 1987, as Executive Vice President in 1985 and 1986, and as a Senior Vice President in 1985; director of Phillips Petroleum Company and Proctor & Gamble Co.
Marcus C. Bennett (60)	Senior Vice President and Chief Financial Officer; Director (1994)	Senior Vice President and Chief Financial Officer of Parent since March 16, 1995. Vice President and Chief Financial Officer of Martin Marietta since 1988; served as Vice President of Finance from 1984 to 1988; serves as Chairman of Martin Marietta Materials, Inc., a majority owned subsidiary of Martin Marietta, and Orlando Central Park, Inc. and Chesapeake Park, Inc., wholly owned subsidiary of Martin Marietta; director of Carpenter Technology, Inc.; member of Financial Executives Institute, MAPI Finance Council and The Conomic Club of Washington; serves as a director of the Private Sector Council and as a member of its CFO Task Force.
Lynne V. Cheney (54)	Director (1994)	W. H. Brady, Jr. Distinguished Fellow at the American Enterprise Institute for Public Policy Research, an independent, nonpartisan organization sponsoring original research on domestic and international economic policy,

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
		foreign and defense policy, and social and political issues since 1992; served as Chairman of the National Endowment for the Humanities, an independent federal agency supporting education, research, preservation, and public programs in humanities, 1986-1992; director of Reader's Digest Association, Inc., IDS Mutual Fund Group, FPL Group, Inc. and UP Group Resources, Inc.
A. James Clark (68)		Chairman of the Board of Clark Enterprises, Inc., a holding company engaged in the construction business since 1987; served as its President since 1972; Chairman of the Executive Committee for the Clark Construction Group, Inc.; director of GEICO Insurance Co., Potomac Electric Power Company and Carl Realty Corporation; member of the Board of Trustees of The Johns Hopkins University; director of the University of Maryland Foundation and a member of the Board of Visitors University of Maryland Foundation.
Vance D. Coffman	Director (1996)	Director since 1996; Executive Vice President and Chief Operating Officer since 1996; President and Chief Operating Officer, Space and Strategic Missiles Sector from March 1995 to December 1995; previously served in Lockheed Corporation as Executive Vice President, from 1992-1995; and President of Lockheed Space Systems Division from 1988-1992.
Edwin I. Colodny (69)	Director (1987)	Of Counsel to Paul, Hastings, Janofsky & Walker; served as Chief Executive Officer of USAir, Inc. from 1975 until retiring in June 1991 and as Chairman of the Board of USAir, Inc. from 1978 until July 1992; also served as Chairman of the Board of USAir Group, Inc. from 1983 until retiring from that position in July 1992; director of USAir Group, Inc., COMSAT Corporation, Esterline Technologies Corp. and Ascent Entertainment; member of the Board of Trustees of the University of Rochester.
Lodwrick M. Cook (67)	Director (1991)	Chairman of the Board of ARCO, a petroleum, coal and chemical company, served as Chief Executive Officer of ARCO from October 1985 to July 1994; served as a director of ARCO since 1980; served as an executive officer of ARCO since 1970; director of

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
		H.F. Ahmanson & Company; director of Home Savings of America and Chairman of the Board of Directors of ARCO Chemical Company.
James L. Everett, III (69)	Director (1976)	Served as Chief Executive Officer of Philadelphia Electric Company from 1978 and Chairman of its Board of Directors from 1982 until his retirement in 1988; director of Tasty Baking Company.
Houston K. Flourney (66)	Director (1976)	Special Assistant to the President for Governmental Affairs, University of Southern California, Sacramento, California, since August 1981; Professor of Public Administration, University of Southern California, Sacramento, California, 1981 to 1993; served as Vice President for Governmental Affairs, University of Southern California, Los Angeles. 1978 to 1981; director of Fremont General Corporation, Fremont Investment and Loan Corporation and Tosco Corporation.
James F. Gibbons (64)	Director (1985)	Dean of the School of Engineering, Stanford University, Stanford, California, since September 1984; Professor of Electronics, Stanford University, since 1964; director of Raychem Corporation, Centrigram Communications Corporation. Cisco Systems Incorporation, El Paso Natural Gas Company and Amati Communications Corp.
Edward L. Hennessy, Jr. (67)	Director (1983)	Served as Chairman of the Board and Chief Executive Officer of AlliedSignal Inc. from May 1979 through June 1991 and served as Chairman of AlliedSignal Inc. from July 1991 through December 1991; director of The Bank of New York, Titan Pharmaceuticals, Inc. The Wackenhut Corporation and Walden Residential Properties, Inc.; trustee of Catholic University of America and Stevens Institute of Technology, a director and treasurer of March of Dimes and a director of Public TV, Channel 13.
Edward E. Hood, Jr. (65)	Director (1993)	Joined GE in 1957 after service in the U.S. Air Force; elected a Vice President of GE in 1968 and Vice Chairman and Executive Officer of GE in 1979; served as a director of GE from 1980 until his retirement in 1993;

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
		director of FlightSafety International, Inc., The Lincoln Electric Company and Gerber Scientific, Inc., Chairman Emeritus of the Board of Trustees of Rensselaer Polytechnic Institute; serves as a trustee of North Carolina State University.
Caleb B. Hurtt (64)	Director (1987)	Served as President and Chief Operating Officer of Martin Marietta from 1987 until his retirement in January 1990; was its Executive vice President in 1987 and a Senior Vice President from 1983 to 1987; Vice Chairman of the Board of Trustees of Stevens Institute of Technology; served as Chairman of the Board of Governors of the Aerospace Industries Association in 1989 and is a past Chairman of the NASA Advisory Council.
Gwendolyn S. King (55)	Director (1992)	Senior Vice President of Corporate and Public Affairs for PECO Energy Company (formerly Philadelphia Electric Company) since October 1992; served as Commissioner of the Social Security Administration from August 1989 through September 1992, and as Executive Vice President of Gogol & Associates in Washington, D.C. from March 1988 to July 1989; director of Monsanto Company; member of the Executive Committee of Pennsylvania Electric Association and recently appointed by President Clinton to the Notch Commission.
Lawrence O. Kitchen (72)	Director (1975)	Chairman of the Executive Committee of Lockheed Corporation from January 1, 1989 to March 16, 1995; served as Chairman of the Board and Chief Executive Officer of Lockheed Corporation, 1986 to 1988; served as President and Chief Operating Officer of Lockheed Corporation, 1975 to 1985; serves on the Advisory Board of the Industrial Bank of Japan; director of Kendall-Jackson Winery, Ltd.
Gordon S. Macklin (67)	Director (1992)	Chairman of the Board of White River Corporation, an information services company; served as Chairman of the Board of Hambrecht & Quist, Inc., a venture capital and investment banking company, from 1987 until his retirement in April 1992; served as President of the National Association of Securities Dealers, Inc. from 1970 until 1987; director of Fund American Enterprises Holdings, Inc., MCI Communica

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
		tions Corporation, Med-Immune, Inc. and Info Vest Corporation; serves as director, trustee or managing general partner, as the case may be of most of the investment companies in the Franklin/Templeton Group of Funds.
Vincent N. Marafino (65)	Director (1980)	Executive Vice President of Lockheed Martin Corporation from March 16, 1995 to December 31, 1995. From to March 16, 1996, of Lockheed Corporation. Vice Chairman of the Board and Chief Financial and Administrative Officer of Lockheed Corporation since August 1, 1988; served as Executive Vice President -- Chief Financial and Administrative Officer of Lockheed Corporation, 1983 to 1988; served as an executive officer of Lockheed Corporation since 1971.
Eugene F. Murphy (59)	Director (1993)	President and Chief Executive Officer of GE Aircraft Engines since 1993; served as President and Chief Executive Officer of GE Aerospace from 1992 and 1993; served as Senior Vice President of GE Communications & Services from 1986 to 1992; served as a member of President Reagan's National Security Telecommunications Advisory Committee; former Chairman and permanent member of the Board of Directors of the Armed Forces Communications and Electronics Association; member of the Aerospace Industries Association Board of Governors.
Allen E. Murray (66)	Director (1991)	Served as Chairman of the Board and Chief Executive Officer of Mobil Corporation from 1986 until his retirement on March 1, 1994; director of Metropolitan Life Insurance Company, Minnesota Mining and Manufacturing Company, Morgan Stanley Group inc. and St. Francis Hospital; member of the Board of Trustees of New York University, a member of the Chase Manhattan Bank International Advisory Committee, and serves as an honorary director of the American Petroleum Institute; member of The Business Council, The Business Roundtable, The Council on Foreign Relations, and The Trilateral Commission.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
David S. Potter (70)	Director (1987)	Served as Chairman of the Board of John Fluke Manufacturing Company, Inc., an lectronic instrument and sensor firm, Everett, Washington. 1990-1991; retired Vice President and Group Executive of General Motors Corporation; served as Vice President of General Motors Corporation 1976 to 1985; director of John Fluke Manufacturing Company, Inc. 1986-1995.
Frank Savage (57)	Director (1990)	Chairman, Alliance Capital Management International, an investment management company since 1994; Senior Vice President of The Equitable Life Assurance Society of the United States since 1987; Chairman of the Board of Alliance Corporate Finance Group, Inc. since 1993; Chairman of the Board of Equitable Capital Management Corporation, 1992-1993; and Vice Chairman of the Board of Equitable Capital Management Corporation, 1986-1992; director of Alliance Capital Management Corporation. ARCO Chemical Company, and Essence Communications, Inc.; trustee of Johns Hopkins University and Howard University; director of the Council on Foreign Relations; New York Philharmonic; and former U.S. Presidential appointee to the Board of Directors of U.S. Synthetic Fuels Corporation.
Daniel M. Tellep (64)	Chairman of the Board; Director (1987)	Chief Executive Officer of Parent from March 16, 1995 to December 31, 1995. Chairman of the Board and Chief Executive Officer of Lockheed Corporation January 1, 1989 to March 16, 1995; served as President of Lockheed Corporation, August 1988 to December 1988; served as Group President-- Missiles and Space Systems of Lockheed Corporation, 1986 Missiles & Space Company, Inc., a wholly owned subsidiary of Lockheed Corporation, 1984 to 1988; served as an executive officer of Lockheed Corporation since March 1983; director of First Interstate Bancorp, Southern California Edison Company, and SCEcorp.
Carlisle A. H. Trost (65)	Director (1990)	Retired Admiral U.S. Navy, 1990; Chief of Naval Operations, United States Navy, 1986-1990; also served as Commander in Chief, U.S. Atlantic Fleet, Commander U.S.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
		Seventh Fleet, and Deputy Commander in Chief of the U.S. Pacific Fleet; director of Louisiana Land and Exploration Company, General Public Utilities Corp., GPU -- Nuclear Corp., General Dynamics Corporation, Precision Components Corporation, and Bird-Johnson Company, Trustee of the U.S. Naval Academy Foundation and U.S. Naval Academy Alumni Association.
James R. Ukropina (58)	Director (1988)	Partner, O'Melveny & Myers, a law firm, Los Angeles, California, since 1992; former Chairman of the Board and Chief Executive Officer of Pacific Enterprises, a diversified holding company 1989 to 1991; director of Pacific Mutual Life Insurance Company and member of the Board of Trustees of Stanford University.
Douglas C. Yearley (69)	Director (1990)	Chairman of the Board, President and Chief Executive Officer of Phelps Dodge Corporation, a producer of copper and copper products, carbon blacks, and wheels and rims for medium and heavy trucks, Phoenix, Arizona, serving as Chairman and Chief Executive Officer since 1989 and President since 1991; served as Executive Vice President of Phelps Dodge Corporation form 1987 to 1989; served as President of Phelps Dodge Industries, a division of Phelps Dodge Corporation, from 1988 to 1990; served as Senior Vice President of Phelps Dodge Corporation from 1982 to 1986; director of Phelps Dodge Corporation, J.P. Morgan & Co. Incorporated, Morgan Guaranty Trust Company of New York and USX Corporation.
Minoru S. Araki (64)	President, Missiles & Space	President, Lockheed Missiles and Space Company, Inc. from March 16, 1995 until present; Previously served in Lockheed Corporation as Executive Vice President, Missiles and Space Systems Group and Executive Vice President--Lockheed Missiles & Space Company, Inc., from October 1988 to March, 1995.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
James A. Blackwell (55)	Sector President and Chief Operating Officer--Aeronautics Sector	President and Chief Operating Officer, Aeronautics Sector; Previously served in Lockheed Corporation as Vice President and President from April 1993 to March 1995, Lockheed Aeronautical Systems Company since 1993; served as an executive employee of Lockheed Aeronautical Systems Company from 1986 until March 1995.
Melvin R. Brashears (50)	Sector President-- Space & Strategic Missiles	President and Chief Operating Officer, Space and Strategic Missiles Sector, from January 1996; Deputy, Space and Strategic Missiles Sector from November 1995 to December 1995; Executive Vice President of Lockheed Missiles & Space Company, Inc. from March 1995-November 1995 and President of Lockheed Commercial Space Company; previously served in Lockheed Corporation as Vice President and Assistant General Manager, Space Systems Division, Lockheed Missiles and Space Company, Inc., from 1992-1995; Director of Advanced Space Programs, from 1991-1992.
Thomas A. Corcoran (51)	Sector President--Electronics	President and Chief Operating Officer, Electronics Sector since March 1995; previously served in Martin Marietta Corporation as President, Electronics Group, from 1993-March 1995; previously served at General Electric Corporation as Vice President and General Manager, from 1990-1993.
Dain M. Hancock (54)	President, Tactical Aircraft Systems	President, Tactical Aircraft Systems since March 1995; previously served in Lockheed Corporation as Vice President from 1993 to March 1995; and Vice President and F-16 Program Director, Lockheed Fort Worth Company, from 1993 to March 1995. From 1966 until 1993 he was an employee of General Dynamics Corporation.
John R. Kreik (51)	President, Lockheed Sanders, Inc.	President, Lockheed Sanders, Inc.; previously served in Lockheed Corporation as President, Lockheed Sanders, Inc. since 1990.
James W. McAnally, Jr. (59)	President, Astronautics	President, Astronautics since March 1995; previously served in Martin Marietta Corporation as President, Astronautics from 1993 to March 1995.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
John S. McLellan (54)	President, Aeronautical Systems	President, Aeronautical Systems since March 1995; previously served in Lockheed Corporation as Vice President and Executive Vice President, Lockheed Aeronautical Systems Company from March 1994 to March 1995; served as President, Lockheed Aircraft Service Company-Ontario from February 1992 to March 1994; served as Executive Vice President from April 1989 to February 1992.
Frank H. Menaker, Jr. (55)	Vice President and General Counsel	Vice President and General Counsel for Lockheed Martin Corporation since March 1995, after having served in the same capacity for Martin Marietta Corporation since 1981. He joined Martin Marietta Corporation in 1970 as an Assistant Division Counsel for aerospace operations in Baltimore; became a Corporate Assistant General Counsel in 1973 and in 1977 was named General Counsel of that corporation's aerospace operations. Mr. Menaker is Chair of the ABA Public Contract Law Section, a member of the Board of Directors of the National Chamber Litigation Center, and a member of the Steering Committee for the Lawyer's Committee for Human Rights.
Albert Narath (63)	President and Chief Operating Officer of Energy and Environment Sector	President and Chief Operating Officer, Energy and Environment Sector, Lockheed Martin Corporation from August 15, 1995 to present; President, Sandia Corporation from April 1989 to August 14, 1995.
Robert E. Rulon (52)	Vice President and Controller	Vice President and Controller; previously served in Lockheed Corporation as Vice President and Controller from 1992-1995; served as a Vice President, Internal Audit from 1990-1992.
Walter E. Skowronski (47)	Vice President and Treasurer	Vice President and Treasurer; previously served in Lockheed Corporation as Vice President and Treasurer from 1992-1995; served as staff Vice President, Investor Relations from 1990-1992.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
Peter B. Teets (54)	Sector President--Information and Technology Services	President and Chief Operating Officer, Information and Technology Services Sector; previously served in Martin Marietta Corporation as Corporate Vice President (since 1985) and President, Space Group, from 1993-1995; served as President, Astronautics Group from 1987-1993.
Lillian M. Trippett (42)	Corporate Secretary	Corporate Secretary and Associate General Counsel of Lockheed Martin Corporation since March 1995, after having served as Corporate Secretary and Assistant General Counsel of Martin Marietta Corporation since April 1993. Ms. Trippett joined Martin Marietta Corporation in July 1989 as a Director of Washington Operations. Prior to joining Martin Marietta Corporation, she served for fourteen years on the staff of the Committee on Science, Space, and Technology in the House of Representatives. From 1983 - 1989 she served as Counsel to the Subcommittee on Space, Science and Applications, specializing in space commercialization. Ms. Trippett is a member of the International Institute of Space Law of the International Astronautical Federation, American Bar Association and the American Society of Corporate Secretaries.

DIRECTORS AND EXECUTIVE OFFICERS OF THE PURCHASER

The name, business address, present principal occupation or employment and five-year employment history of each director and executive officer of Purchaser and certain other information are set forth below. Unless otherwise indicated below, the address of each director and officer is c/o 6801 Rockledge Drive, Bethesda, Maryland 20817. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Parent. Parenthetical years indicate the year the individual was elected or appointed to the position or office. All directors and officers listed below are citizens of the United States.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PURCHASER	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
Marcus C. Bennett (60)	President and Director	Senior Vice President and Chief Financial Officer of Parent since March 16, 1995. Vice President and Chief Financial Officer of Martin Marietta since 1988; served as Vice President of Finance from 1984 to 1988; serves as Chairman of Martin Marietta Materials, Inc., a majority owned subsidiary of Martin Marietta, and Orlando Central Park, Inc. and Chesapeake Park, Inc., wholly owned subsidiary of Martin Marietta; director of Carpenter Technology, Inc.; member of Financial Executives Institute, MAPI Finance Council and The Conomic Club of Washington; serves as a director of the Private Sector Council and as a member of its CFO Task Force.
Robert B. Corlett (56)	Director	Vice President, Human Resources, of Lockheed Martin Corporation since March 1995, after having served in the same capacity for Lockheed Corporation since 1991; served as Vice President, Human Resources, for the former Lockheed Aeronautical Systems, Company in 1987, after leaving the Corporation in 1980 and rejoining the Corporation in 1987; served as director of Industrial Relations in 1979 and in 1971 transferred to the Lockheed California Company, where he held a variety of Human Resources positions leading to his appointment as Manager of Union Relations in 1975. Mr. Corlett serves on the Board of Directors and Executive Committee of the Labor Policy Association, and is a member of the Personnel Roundtable, the Aerospace Human Resources Council, and the Human Resource Roundtable of the University of California at Los Angeles.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PURCHASER	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
John F. Egan (60)	Director	Vice President, Corporate Development, of Lockheed Martin Corporation since March 1995, after having served in a similar position at Lockheed Corporation and served as Vice President for planning and technology for Lockheed Electronics Group from 1986 to 1993 following the acquisition of Sanders Associates, Inc., by Lockheed Corporation. Joined Sanders Associates, Inc. in 1973 as Director of Business Development for the Federal Systems Group; became General Manager of two product divisions in 1975 and became Vice President, Corporate Development in 1978. Dr. Egan is a member of the Chief of Naval Operations Executive Panel and the Naval Studies Board, National Research Council.
Frank H. Menaker, Jr. (55)	Vice President and General Counsel; Director	Vice President and General Counsel for Lockheed Martin Corporation since March 1995, after having served in the same capacity for Martin Marietta Corporation since 1981. He joined Martin Marietta Corporation in 1970 as an Assistant Division Counsel for aerospace operations in Baltimore; became a Corporate Assistant General Counsel in 1973 and in 1977 was named General Counsel of that corporation's aerospace operations. Mr. Menaker is Chair of the ABA Public Contract Law Section, a member of the Board of Directors of the National Chamber Litigation Center, and a member of the Steering Committee for the Lawyer's Committee for Human Rights.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PURCHASER	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
John E. Montague (41)	Vice President; Director	Vice President, Financial Strategies, for Lockheed Martin Corporation since March 1995, after having served as Vice President of Corporate Development and Investor Relations for Martin Marietta Corporation from 1991 to 1995; served as Director of Corporate Development prior to being promoted to Vice President in 1991; served as Manager of Strategic Planning for Martin Marietta Information & Communications Systems in Denver from 1984 to 1985; and joined Martin Marietta Corporation in 1977 as a member of the Engineering staff of Martin Marietta Denver Aerospace. Mr. Montague is a member of the Board of Directors of Martin Marietta Corporation and of Rational Software Corporation.
Walter E. Skowronski (47)	Director	Vice President and Treasurer of Lockheed Martin Corporation since March 1995, after having served in the same capacity for Lockheed Corporation since 1992, and as its staff Vice President-Investor Relations since 1990. Prior to joining Lockheed Corporation in 1990, Mr. Skowronski was Assistant Treasurer of Boston Edison Company and from 1987 to 1990 was an instructor of Corporate Finance and Investor Relations at Northeastern University's Graduate School of Business Administration. Mr. Skowronski is a former director of the National Investor Relations Institute and served as its Chairman and Chief Executive Officer.

NAME (AGE AT 12/31/95)	POSITIONS AND OFFICES HELD WITH PURCHASER	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS) OUTSIDE DIRECTORSHIPS
Lillian M. Trippett (42)	Director	Corporate Secretary and Associate General Counsel of Lockheed Martin Corporation since March 1995, after having served as Corporate Secretary and Assistant General Counsel of Martin Marietta Corporation since April 1993. Ms. Trippett joined Martin Marietta Corporation in July 1989 as a Director of Washington Operations. Prior to joining Martin Marietta Corporation, she served for fourteen years on the staff of the Committee on Science, Space, and Technology in the House of Representatives. From 1983 - 1989 she served as Counsel to the Subcommittee on Space, Science and Applications, specializing in space commercialization. Ms. Trippett is a member of the International Institute of Space Law of the International Astronautical Federation, American Bar Association and the American Society of Corporate Secretaries.

SCHEDULE II

CERTAIN INFORMATION ABOUT PARENT REQUIRED BY NEW YORK LAW

EDUCATIONAL OPPORTUNITIES

Parent provides assistance to eligible employees participating in study programs leading to an undergraduate or an advanced degree. Such study programs must be consistent with Parent's business goals and objectives and applicable to the employee's field of work. Parent may limit the reimbursement of the academic costs of tuition.

RELOCATION ADJUSTMENTS

Parent may reimburse job applicants for reasonable and actual interview expenses, and may reimburse new and existing employees for reasonable and actual travel and relocation expenses in accordance with the provisions of corporate policy.

CHARITABLE CONTRIBUTIONS

Parent supports a broad spectrum of public interest activities through a gifts and grants program, with emphasis on recognized agencies in such fields as health, education, civic affairs, and cultural activities. Individual companies are authorized to make community contributions out of their operating funds.

POST-EMPLOYMENT BENEFIT PLANS

Parent sponsors a number of retirement plans that cover substantially all employees. Defined benefit plans for salaried and certain hourly employees provide benefits based on employees' years of service and compensation, either on a final or career average basis. Defined benefit plans for other hourly employees generally provide benefits of stated amounts for specified periods of service. Certain health care and life insurance benefits are provided to eligible retirees by Parent. For recently retired participants, the health benefits generally provide for cost sharing through participant contributions and copayments. For certain groups of employees who recently retired there is an annual limit on the Corporation's contribution per participant.

STOCK OPTION AND AWARD PLANS

Under Parent's 1995 Omnibus Performance Award Plan (the "Plan"), employees of Parent may be granted stock-based incentive awards, including options to purchase common stock, stock appreciation rights, restricted stock or other stock-based incentive awards. Cash-based incentive awards such as performance units may also be awarded. These awards may be granted singly or in combination with other awards. To date, Parent has awarded stock options under the Plan. The options to purchase its common stock were granted at a price equal to the market value at the date of grant. These options become exercisable in two approximately equal annual increments in multiples of 100 on the first and second anniversary dates of such grants and expire 10 years from such date. The Plan allows Parent to provide financing for purchases, subject to certain conditions, by interest-bearing notes payable to Parent.

SCHEDULE III

CERTAIN BUSINESS RELATIONSHIPS
INVOLVING PARENT, COMPANY AND
THEIR RESPECTIVE AFFILIATES

	DOLLAR VALUE OF TRANSACTION	PERIOD OF PERFORMANCE	BRIEF DESCRIPTION OF TRANSACTION
1.	In excess of $100 Million	11/91--10/98 (beyond 1998 for production)	Teaming agreement between Sanders and Loral Infrared and Imaging Systems ("LIRIS"), on the U.S. Army's Advanced Threat Infrared Countermeasures Program pursuant to which Sanders is the prime contractor and LIRIS is the subcontractor.
2.	$76.136 Million	9/92--7/96	Loral subcontractor to Lockheed Martin Missiles & Space Division on infrared seek for Theater High Altitude Area Defense Program.
3.	$37.2 Million	5/93--4/99	Loral Federal System ("LFS") developed and tested the service layer software for the REARC Program. This software was delivered to Management & Data Systems ("M&DS") in August, 1995, and LFS is currently performing on the post-delivery activities, which is essentially a level of support task in Valley Forge. This is a cost plus award fee subcontract.
4.	$295 Million	7/93--late 1999	Prime contract between Loral Space Systems and Lockheed-Krunichev-Energia International.
5.	$81.5 Million firm fixed price, $275 Million in options	1/94--9/96 (Options could extend to late 1999)	Prime contract between Loral Space Systems and Lockheed Martin Commercial Launch Services, Inc.
6.	$39.167 Million	1/94 -12/96	Subcontract from Company to Parent of ground support operations and maintenance.
7.	$232.0 Million	8/94--12/99	LFS is in a sole source teaming agreement which will result in subcontracts from M&DS to LFS.
8.	In excess of $100 Million	9/94--9/96	Teaming agreement providing for award by Parent to Company of a subcontract in event parent wins GPS IIF competition.
9.	$120.345 Million	1/96--12/2002	Teaming agreement between Sanders and Company on the U.S. Army's TACJAM-A/IEWCS Program pursuant to which Company is the prime contractor and Sanders is the subcontractor.

The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each shareholder of the Company or his broker, dealer, commercial bank or other nominee to the Depository at one of its addresses set forth below.

The Depositary for the Offer is:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Mail:	By Hand or Overnight Courier:
Tenders & Exchanges P.O. Box 2564 Suite 4660--Loral Jersey City, New Jersey 07303-2564	Tenders & Exchanges 14 Wall Street, Suite 4680--Loral 8th Floor New York, New York 10005

Any questions or requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and locations listed below. You may also contact your broker, dealer, commercial bank or trust company or nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

LOGO

909 Third Avenue, 20th Floor
New York, New York 10022
(212) 754-8000
or
Call Toll Free: (800) 566-9058

Banks and Brokerage Firms, please call: (800) 662-5200

The Dealer Manager for the Offer is:

BEAR, STEARNS & CO. INC.

245 Park Avenue
New York, New York 10167
Call toll free: (800) 726-9849

LETTER OF TRANSMITTAL

TO TENDER SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF

LORAL CORPORATION

PURSUANT TO THE OFFER TO PURCHASE
DATED JANUARY 12, 1996
BY

LAC ACQUISITION CORPORATION

A WHOLLY OWNED SUBSIDIARY OF

LOCKHEED MARTIN CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 9, 1996, UNLESS THE OFFER IS EXTENDED. LAC ACQUISITION CORPORATION HAS AGREED, SUBJECT TO THE TERMS AND CONDITIONS OF THE OFFER, TO EXTEND THE OFFER UNTIL IMMEDIATELY AFTER THE TIME OF THE SPIN-OFF RECORD DATE (AS DEFINED IN THE OFFER TO PURCHASE).

The Depositary for the Offer is:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Mail:	By Hand or By Overnight Courier:
TENDERS & EXCHANGES P.O. BOX 2559--SUITE 4660--LORAL JERSEY CITY, NEW JERSEY 07303-2559	TENDERS & EXCHANGES 14 WALL STREET, SUITE 4680--LORAL 8TH FLOOR NEW YORK, NEW YORK 10005

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, DOES NOT CONSTITUTE A VALID DELIVERY. THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by stockholders either if certificates are to be forwarded herewith or if delivery is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company ("DTC"), the Midwest Securities Trust Company ("MSTC") or the Philadelphia Depository Trust Company ("PDTC"), which are hereinafter collectively referred to as the "Book-Entry Transfer Facilities," pursuant to the procedures set forth in Section 3 of the Offer to Purchase (as defined below). Stockholders whose certificates are not immediately available or who cannot deliver their certificates and all other documents required hereby to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) or who cannot comply with the book-entry transfer procedures on a timely basis must tender their Shares (as defined below) according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

[_CHECK]HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH DTC, MSTC OR PDTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____

Check Box of Book-Entry Transfer Facility (check one):

[_] DTC [_] MSTC [_] PDTC

Account Number _____

Transaction Code Number _____

[_] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY SENT TO THE DEPOSITARY PRIOR TO THE DATE HEREOF AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s) _____

Window Ticket Number (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution that Guaranteed Delivery _____

Check Box of Book-Entry Transfer Facility if Delivered by Book-Entry Transfer (check one):

[_] DTC [_] MSTC [_] PDTC

Account Number (if delivered by Book-Entry Transfer) _____

Transaction Code Number _____

BOXES ABOVE FOR USE BY ELIGIBLE INSTITUTIONS ONLY

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON CERTIFICATE(S))	CERTIFICATE(S) TENDERED (ATTACH ADDITIONAL LIST IF NECESSARY)		
	CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)**	NUMBER OF SHARES TENDERED**
	TOTAL SHARES		

* Need not be completed by stockholders tendering by book-entry transfer.
**Unless otherwise indicated, it will be assumed that all Shares evidenced by any certificates delivered to the Depositary are being tendered. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to LAC Acquisition Corporation (the "Purchaser"), a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), the above-described shares of common stock (the "Common Stock"), par value $0.25 per share, of Loral Corporation, a New York corporation (the "Company"), and the associated preferred stock purchase rights (the "Rights", and together with the Common Stock (the "Shares") at $38.00 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 12, 1996 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with the Offer to Purchase, constitutes the "Offer"). The Rights were issued pursuant to a Rights Agreement, dated as of January 10, 1996, between the Company and Bank of New York, as amended, and are currently evidenced by and trade with certificates evidencing the Common Stock. The undersigned understands that Purchaser reserves the right to transfer or assign, in whole or in part from time to time or to one or more direct or indirect wholly owned subsidiaries of Parent, the right to purchase Shares tendered pursuant to the Offer.

Subject to and effective upon acceptance for payment of the Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all of the Shares that are being tendered hereby (and any and all other Shares or other securities or property (other than regular quarterly cash dividends of not more than $0.08 per Share) issued or issuable in respect thereof on or after January 12, 1996, other than the Spinco Shares distributed in respect of the Shares in connection with the Spin-Off (as such terms are defined in the Offer to Purchase)) such other Shares, securities or property other than the Shares being referred to herein as the "Other Securities" and irrevocably appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares and any such Other Securities with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and any such Other Securities), or transfer ownership of such Shares on the account books maintained by any of the Book-Entry Transfer Facilities (and any such Other Securities), together in any such case with all accompanying evidences of transfer and authenticity, to or upon the order of the Purchaser, upon receipt by the Depositary, as the undersigned's agent, of the purchase price (adjusted, if appropriate, as provided in the Offer to Purchase), (b) present such Shares and any such Other Securities for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares and any such Other Securities, all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints Frank H. Menaker, Jr. and Lillian M. Trippett, and each of them or any other designees of the Purchaser, the attorneys and proxies of the undersigned, each with full power of substitution, to exercise such voting and other rights as each such attorney and proxy or his substitute shall, in his sole discretion, deem proper, and otherwise act (including pursuant to written consent) with respect to all of the Shares tendered hereby which have been accepted for payment by the Purchaser prior to the time of such vote or action and any and all Other Securities issued or issuable in respect thereof on or after January 12, 1996), which the undersigned is entitled to vote at any meeting of stockholders of the Company (whether annual or special and whether or not an adjourned meeting), or written consent in lieu of such meeting, or otherwise. This proxy is coupled with an interest in the Shares tendered hereby and is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of such Shares by the Purchaser in accordance with the terms of the Offer. Such acceptance for payment shall revoke all prior proxies granted by the undersigned with respect to such Shares and any such Other Securities and no subsequent proxies may be given (and if given will be deemed not to be effective) with respect thereto by the undersigned. The Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares, the Purchaser is able to exercise full voting and other rights of a record holder or beneficial holder, including rights in respect of acting by written consent, with respect to such Shares and Other Securities.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any and all Other Securities issued or issuable in respect thereof on or after January 12, 1996), and that when the same are accepted for payment by the Purchaser, the Purchaser will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances, and the same will not be subject to any adverse claim. The undersigned, upon request, will execute and deliver any signature guarantees or additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and any and all such Other Securities. In addition, the undersigned shall promptly remit and transfer to the Depositary for the account of the Purchaser any such Other Securities issued to the undersigned on or after January 12, 1996, in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and pending such remittance or appropriate assurance thereof, the Purchaser shall be entitled to all rights and privileges as owner of any such Other Securities and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by the Purchaser in its sole discretion.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, the Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or return any certificates for Shares not tendered or not accepted for payment in the name(s) of the registered holder(s) appearing under "Description of Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing under "Description of Shares Tendered." In the event that both the Special Delivery Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price and/or return any certificates for Shares not purchased (together with accompanying documents as appropriate) in the name(s) of, and deliver said check and/or return such certificates to, the person or persons so indicated. Stockholders tendering Shares by book-entry transfer may request that any Shares not accepted for payment be returned by crediting such account maintained at DTC, MSTC or PDTC as such stockholder may designate by making an appropriate entry under "Special Payment Instructions." The undersigned recognizes that the Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Shares from the name of the registered holder(s) thereof if the Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be issued in the name of someone other than the undersigned.

Issue: [_] Check [_] Certificate(s) to:

Name _____
(Please Print)

Address _____

(Include Zip Code)

(Tax Identification or Social Security Number)

(See Substitute Form W-9 Included Herein)

(Account Number)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 5 AND 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be sent to someone other than the undersigned or to the undersigned at an address other than that appearing under "Description of Shares Tendered."

Issue: [_] Check [_] Certificate(s) to:

Name _____
(Please Print)

Address _____

(Include Zip Code)

(Tax Identification or Social Security Number)

(See Substitute Form W-9 Included Herein)

STOCKHOLDERS SIGN HERE
(ALSO COMPLETE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

(Signature(s) of Owner(s))

(MUST BE SIGNED BY REGISTERED HOLDER(S) EXACTLY AS NAME(S) APPEAR(S) ON STOCK CERTIFICATE(S) OR ON A SECURITY POSITION LISTING OR BY PERSON(S) AUTHORIZED TO BECOME REGISTERED HOLDER(S) BY CERTIFICATES AND DOCUMENTS TRANSMITTED HEREWITH. IF SIGNATURE IS BY TRUSTEE, EXECUTOR, ADMINISTRATOR, GUARDIAN, ATTORNEY-IN-FACT, AGENT, OFFICER OF A CORPORATION OR ANY OTHER PERSON ACTING IN A FIDUCIARY OR REPRESENTATIVE CAPACITY, PLEASE PROVIDE THE FOLLOWING INFORMATION. SEE INSTRUCTION 5.)

Dated _____, 1996

Name(s) _____

_____

(Please Print)

Capacity (full title) _____

Address _____

_____

(Include Zip Code)

Area Code and Telephone Number _____

Tax Identification or Social Security Number _____

_____

(See Substitute Form W-9 Below)

GUARANTEE OF SIGNATURE(S)
(IF REQUIRED--SEE INSTRUCTIONS 1 AND 5)

Authorized Signature _____

Name _____

(Please Print)

Name of Firm _____

Address _____

(Include Zip Code)

Area Code and Telephone Number _____

Dated _____, 1996

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. Signatures on all Letters of Transmittal must be guaranteed by a recognized member of a Medallion Signature Guarantee Program (each of the foregoing being referred to as an "Eligible Institution"), unless (i) this Letter of Transmittal is signed by the registered holder(s) of Shares (which term, for the purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) and such holder(s) has (have) not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on this Letter of Transmittal or (ii) such shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES; GUARANTEED DELIVERY PROCEDURES. This Letter of Transmittal is to be completed by stockholders either if certificates for Shares are to be forwarded herewith or if a tender of Shares is to be made pursuant to the procedures for delivery by book-entry transfer set forth in Section 3 of the Offer to Purchase. Certificates for all physically tendered Shares, or confirmation ("Book-Entry Confirmation") of any book-entry transfer into the Depositary's account at DTC, MSTC or PDTC of Shares delivered by book-entry transfer as well as a properly completed and duly executed Letter of Transmittal, must be received by the Depositary, at one of the addresses set forth herein prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). Stockholders whose certificates are not immediately available or who cannot deliver their certificates and all other required documents to the Depositary prior to the Expiration Date or who cannot comply with the book-entry transfer procedures on a timely basis may tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, must be received by the Depositary (as provided in (iii) below) prior to the Expiration Date and (iii) the certificates for all physically tendered Shares (or Book-Entry Confirmation with respect to such Shares), as well as a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) with any required signature guarantees and any other documents required by this Letter of Transmittal, must be received by the Depositary within five New York Stock Exchange, Inc. trading days after the date of execution of such Notice of Guaranteed Delivery, all as provided in Section 3 of the Offer to Purchase.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, CERTIFICATES FOR SHARES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT SUCH CERTIFICATES AND DOCUMENTS BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO INSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate signed schedule attached hereto.

4. PARTIAL TENDERS. (Not applicable to stockholders who tender by book-entry transfer.) If fewer than all the Shares evidenced by any certificate submitted are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such case, new certificate(s) for the remainder of the Shares that were evidenced by the old certificate(s) will be sent to the registered holder, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL, STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever. If any of the Shares tendered hereby are held of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any certificates or stock powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, agent, officer of a corporation or any person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of such person's authority so to act must be submitted.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares evidenced by certificates listed and transmitted hereby, no endorsements of certificates or separate stock powers are required unless payment is to be made to or certificates for Shares not tendered or purchased are to be issued in the name of a person other than the registered holder(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares, evidenced by certificates listed and transmitted hereby, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered holder or holders appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

6. STOCK TRANSFER TAXES. Except as set forth in this Instruction 6, the Purchaser will pay or cause to be paid any stock transfer taxes with respect to the transfer and sale of Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price is to be made to, or if certificates for Shares not tendered or purchased are to be registered in the name of, any person other than the registered holder(s), or if certificates for tendered shares are registered in the name of any person other than the person(s) signing this letter of transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder(s) or such other person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATE(S) LISTED IN THIS LETTER OF TRANSMITTAL.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If the check is to be issued in the name of and/or certificates for Shares not tendered or not purchased are to be returned to a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to someone other than the signer above, the appropriate boxes on this Letter of Transmittal should be completed. Stockholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account maintained at any of the Book-Entry Transfer Facilities as such stockholder may designate under "Special Delivery Instructions". If no such instructions are given, any such Share not purchased will be returned by crediting the account at the Book-Entry Transfer Facilities designated above.

8. REQUEST FOR ASSISTANCE OR ADDITIONAL COPIES. Requests for assistance may be directed to, or additional copies of the Offer to Purchase and this Letter of Transmittal may be obtained from, the Information Agent or Dealer Manager at the telephone numbers and addresses set forth below. Stockholders may also contact their broker, dealer, commercial bank or trust company.

9. WAIVER OF CONDITIONS. Except as otherwise provided in the Offer to Purchase, the Purchaser reserves the right in its sole discretion to waive in whole or in part at any time or from time to time any of the specified conditions of the Offer or any defect or irregularity in tender with regard to any Shares tendered.

10. SUBSTITUTE FORM W-9. The tendering stockholder is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN"), generally the stockholder's social security or employer identification number, on Substitute Form W-9, which is provided under "Important Tax Information" below, and to certify whether he or she is subject to backup withholding of federal income tax. If a tendering stockholder is subject to backup withholding, he or she must cross out item (2) of the Certification Box on Substitute Form W-9. Failure to provide the information on Substitute Form W-9 may subject the tendering stockholder to 31% federal income tax withholding on the payment of the purchase price. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, he or she should write "Applied For" in the space provided for the TIN in Part I, sign and date the Substitute Form W-9 and sign and date the Certificate of Awaiting Taxpayer Identification Number. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of payments for surrendered Shares thereafter until a TIN is provided to the Depositary.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A FACSIMILE HEREOF) TOGETHER WITH CERTIFICATES (OR BOOK-ENTRY CONFIRMATION) AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY ON OR PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE).

IMPORTANT TAX INFORMATION

Under federal tax law, a stockholder whose tendered Shares are accepted for payment is required to provide the Depositary (as payor) with such stockholder's correct TIN on Substitute Form W-9 below. If such stockholder is an individual, the TIN is his Social Security Number. If the Depositary is not provided with the correct TIN or an adequate basis for exemption, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service. In addition, payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding in an amount equal to 31% of the gross proceeds resulting from the Offer.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, that stockholder must submit an IRS Form W-8, signed under penalties of perjury, attesting to that individual's exempt status. Such statements can be obtained from the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of his correct TIN by completing the Substitute Form W-9 contained herein certifying that the TIN provided on the Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN) and that (1) the stockholder is exempt from backup withholding, (2) the stockholder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of failure to report all interest or dividends, or (3) the Internal Revenue Service has notified the stockholder that he or she is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record owner of the Shares. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, he or she should write "Applied For" in the space provided for the TIN in Part I, sign and date the Substitute Form W-9 and sign and date the Certificate of Awaiting Taxpayer Identification Number. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of all payments of the purchase price until a TIN is provided to the Depositary.

PAYOR'S NAME: FIRST CHICAGO TRUST COMPANY OF NEW YORK

SUBSTITUTE FORM W-9 Department of the Treasury Internal Revenue Service Payor's Request for Taxpayer Identificatin Number (TIN)	PART I--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW:	---------- Social Security Number OR _____ Employer Identification No. (If Awaiting TIN write "Applied for")
	PART II--For Payees NOT subject to backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein.	

CERTIFICATION--Under the penalties of perjury, I certify that:
(1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
(2) I am not subject to backup withholding because either (a) I am exempt from backup withholding, (b) I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.
CERTIFICATION INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to

backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.)

- ---

Signature _____ Date ___, 1996

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN PART I OF SUBSTITUTE FORM W-9

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under the penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Officer, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature(s)

Date

The Information Agent for the Offer is:

MORROW & CO INC., INC.

909 Third Avenue, 20th Floor
New York, New York 10022
(212) 754-8000

or

Call Toll Free: (800) 566-9058
Banks and Brokerage Firms, please call: (800) 622-5200

The Dealer Manager for the Offer is:

BEAR, STEARNS & CO. INC.

245 Park Avenue
New York, New York 10167
Call Toll Free: (800) 726-9849

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF

LORAL CORPORATION

This form, or a form substantially equivalent to this form, must be used to accept the Offer (as defined below) if the certificates representing shares of common stock, par value $0.25 per share, of Loral Corporation and the associated preferred stock purchase rights (collectively, the "Shares") are not immediately available or if the procedure for book-entry transfer cannot be completed on a timely basis or if time will not permit all required documents to reach the Depositary at or prior to the expiration of the Offer. Such form may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Mail:	By Facsimile Transmission:	By Hand or By Overnight Courier:
Tenders & Exchanges P.O. Box 2559--Suite 4660--LORAL Jersey City, New Jersey 07303-2559	(201) 222-4720 or (201) 222-4721	Tenders & Exchanges 14 Wall Street, Suite 4680--LORAL 8th Floor New York, New York 10005

Confirm Receipt of Notice of Guaranteed Delivery by Telephone:

(201) 222-4707

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA A FACSIMILE NUMBER OTHER THAN AS LISTED ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to LAC Acquisition Corporation (the "Purchaser"), a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 12, 1996 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer"), receipt of which is hereby acknowledged, the number of Shares indicated below pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase.

Number of Shares: _____

Share Certificate Numbers (if available):

If Shares will be delivered by book-entry transfer, check one box:

[_] The Depository Trust Company

[_] Midwest Securities Trust Company

[_] Philadelphia Depository Trust Company

Account Number _____

Dated: _____ , 1996

Name(s) of Record Holder(s):

Please Type or Print

Address(es) _____

Zip Code

Area Code and Telephone Number:

Signature(s)

Dated: _____ , 1996

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each, an "Eligible Institution"), hereby guarantees that either the certificates representing the Shares tendered hereby in proper form for transfer, or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (pursuant to guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase), together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantee and any other required documents, will be received by the Depositary at one of its addresses set forth above within five (5) New York Stock Exchange, Inc. trading days after the date of execution hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name of Firm: _____

Address: _____

Zip Code

Area Code and Telephone Number: _____

Authorized Signature

Name: _____

Please Type or Print

Title: _____

Dated: _____ , 1996

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE OF GUARANTEED DELIVERY. CERTIFICATES FOR SHARES ARE TO BE DELIVERED WITH THE LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
LORAL CORPORATION
BY
LAC ACQUISITION CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
LOCKHEED MARTIN CORPORATION
AT
$38.00 NET PER SHARE

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 9, 1996, UNLESS THE OFFER IS EXTENDED. LAC ACQUISITION CORPORATION HAS AGREED, SUBJECT TO THE TERMS AND CONDITIONS OF THE OFFER, TO EXTEND THE OFFER UNTIL IMMEDIATELY AFTER THE TIME OF THE SPIN-OFF RECORD DATE (AS DEFINED IN THE OFFER TO PURCHASE).

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

January 12, 1996

We have been appointed by LAC Acquisition Corporation (the "Purchaser"), a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation, to act as Dealer Manager in connection with its offer to purchase all outstanding shares of common stock, par value $0.25 per share (including the associated Rights (as defined in the Offer to Purchase referred to below)) (collectively, the "Shares"), of Loral Corporation, a New York corporation (the "Company"), at $38.00 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Purchaser's Offer to Purchase, dated January 12, 1996 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer").

For your information and for forwarding to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase, dated January 12, 1996;

2. Letter of Transmittal for your use and for the information of your clients, together with Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 providing information relating to backup federal income tax withholding;

3. Notice of Guaranteed Delivery to be used to accept the Offer if the Shares and all other required documents cannot be delivered to the Depositary by the Expiration Date (as defined in the Offer to Purchase);

4. A form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

5. Solicitation/Recommendation Statement on Schedule 14D-9 issued by the Company; and

6. Return envelope addressed to First Chicago Trust Company of New York, the Depositary.

The Company has advised the Parent and Purchaser that, prior to the time notice of the Spin-Off Record Date (as defined in the Offer to Purchase) is given and at least ten days prior to the Expiration Date, it expects to distribute to holders of Shares and holders of other equity securities of the Company an Information Statement with respect to the Spin-Off (as defined in the Offer to Purchase).

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will be deemed to have accepted for payment, and will pay for, all Shares validly tendered and not properly withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) when, as and if the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. Payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares (or confirmation of a book-entry transfer of such Shares into the Depositary's account at one of the Book-Entry Transfer Facilities (as defined in the Offer to Purchase)), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) (unless, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase) is utilized) and any other documents required by the Letter of Transmittal.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal, with any required signature guarantees and any other required documents, should be sent to the Depositary, and certificates representing the tendered Shares should be delivered, all in accordance with the instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender their Shares, but it is impracticable for them to deliver their certificates on or prior to the Expiration Date or to comply with the book-entry transfer procedures on a timely basis, a tender may be effected by following the guaranteed delivery procedures specified in Section 3 of the Offer to Purchase.

The Purchaser will not pay any fees or commissions to any broker, dealer or other person (other than the Dealer Manager or the Information Agent as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. The Purchaser will, however, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding materials to their customers. The Purchaser will pay all stock transfer taxes applicable to its purchase of Shares pursuant to the Offer, subject to Instruction 6 of the Letter of Transmittal.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 9, 1996, UNLESS THE OFFER IS EXTENDED. LAC ACQUISITION CORPORATION HAS AGREED, SUBJECT TO THE TERMS AND CONDITIONS OF THE OFFER, TO EXTEND THE OFFER, UNTIL IMMEDIATELY AFTER THE TIME OF THE SPIN-OFF RECORD DATE.

Any inquiries you may have with respect to the Offer should be addressed to, and additional copies of the enclosed materials may be obtained from, the Information Agent or the undersigned at the addresses and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

Bear, Stearns & Co. Inc.
as Dealer Manager
245 Park Avenue
New York, New York 10167
Call Toll Free: (800) 726-9849

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE PURCHASER, THE COMPANY, ANY AFFILIATE OF THE COMPANY, LOCKHEED MARTIN CORPORATION, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HEREWITH AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
LORAL CORPORATION
BY
LAC ACQUISITION CORPORATION
A WHOLLY OWNED SUBSIDIARY OF
LOCKHEED MARTIN CORPORATION
AT
$38.00 NET PER SHARE

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 9, 1996, UNLESS THE OFFER IS EXTENDED. LAC ACQUISITION CORPORATION HAS AGREED, SUBJECT TO THE TERMS AND CONDITIONS OF THE OFFER, TO EXTEND THE OFFER UNTIL IMMEDIATELY AFTER THE TIME OF THE SPIN-OFF RECORD DATE (AS DEFINED IN THE OFFER TO PURCHASE).

January 12, 1996

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated January 12, 1996 (the "Offer to Purchase"), and the related Letter of Transmittal (which together constitute the "Offer") and other materials relating to the Offer by LAC Acquisition Corporation (the "Purchaser"), a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation (the "Parent"), to purchase all outstanding shares of common stock, par value $0.25 per share (including the associated Rights (as defined in the Offer to Purchase)) (collectively, the "Shares"), of Loral Corporation, a New York corporation (the "Company"), at $38.00 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer. This material is being sent to you as the beneficial owner of Shares held by us for your account but not registered in your name. A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL ACCOMPANYING THIS LETTER IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is directed to the following:

1. The tender price is $38.00 per Share, net to the seller in cash, without interest.

2. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Friday, February 9, 1996 unless the Offer is extended. LAC Acquisition Corporation has agreed, subject to the terms and conditions of the Offer, to extend the Offer until immediately after the time of the Spin-Off Record Date (as defined in the Offer to Purchase).

3. The Offer is being made as part of a series of transactions that are expected to result in (i) the distribution to the stockholders of the Company of shares of stock in Loral Space & Communications Ltd., a newly-formed Bermuda company that will own and manage substantially all of the Company's space and satellite telecommunications interests, including Globalstar, L.P. ("Globalstar") and Space Systems/ Loral, Inc. ("SS/L") and certain other assets of the Company (the "Spin-Off") and (ii) the acquisition of the Company's defense electronics and systems integration businesses by the Parent pursuant to the Offer and the Merger (as defined in the Offer to Purchase).

4. The Board of Directors of the Company has unanimously approved the Offer, the Merger and the Spin-Off, determined that the Offer, the Merger and the Spin-Off are fair to the stockholders of the Company and are in the best interests of the stockholders of the Company, and recommends acceptance of the Offer and approval and adoption of the Merger Agreement and the Merger by the stockholders of the Company.

5. The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) a number of Shares which, when added to the number of shares then beneficially owned by Parent and its affiliates, represents at least two-thirds of the total number of Shares outstanding and two-thirds of the voting power of the Shares outstanding on a fully diluted basis.

6. Any stock transfer taxes applicable to the sale of Shares to the Purchaser pursuant to the Offer will be paid by the Purchaser, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

The Company has advised the Purchaser that, prior to the time notice of the Spin-Off Record Date is given and at least ten days prior to the Expiration Date, it expects to distribute to holders of Shares and holders of other equity securities of the Company an Information Statement with respect to the Spin-Off (each as defined in the Offer to Purchase).

The Offer is being made to all holders of Shares. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Bear, Stearns & Co. Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdictions.

If you wish to have us tender any or all of the Shares held by us for your account, please so instruct us by completing, executing and returning to us the instruction form set forth below. Please forward your instructions to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form set forth below.

INSTRUCTIONS WITH RESPECT TO
OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED RIGHTS)
OF
LORAL CORPORATION
BY
LAC ACQUISITION CORPORATION

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated January 12, 1996, and the related Letter of Transmittal, in connection with the offer by LAC Acquisition Corporation, a New York corporation and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation, to purchase for cash all outstanding shares of common stock, par value $0.25 per share (including the associated Rights (as defined in the Offer to Purchase)) (collectively, the "Shares"), of Loral Corporation, a New York corporation.

This will instruct you to tender the number of Shares indicated below (or if no number is indicated below, all Shares) that are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

Dated: , 1996

NUMBER OF SHARES TO BE TENDERED:
SHARES*

Signature(s)

Please Print Name(s)

Please Print Address(es)

Area Code and Telephone Number(s)

Tax, Identification, or Social
Security Number(s)

- --------
*I (We) understand that if I (we) sign this instruction form without indicating a lesser number of Shares in the space above, all Shares held by you for my (our) account will be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER
ON SUBSTITUTE FORM W-9

SECTION REFERENCES ARE TO THE INTERNAL REVENUE CODE.

Purpose of Form. -- A person who is required to file an information return with the Internal Revenue Service ("IRS") must obtain your correct taxpayer identification number ("TIN") to report income paid to you, real estate transactions, mortgage interest you paid, the acquisition or abandonment of secured property, or contributions you made to an IRA. Use Form W-9 to furnish your correct TIN to the requester (the person asking you to furnish your TIN) and, when applicable, (1) to certify that the TIN you are furnishing is correct (or that you are waiting for a number to be issued), (2) to certify that you are not subject to backup withholding, and (3) to claim exemption from backup withholding if you are an exempt payee. Furnishing your correct TIN and making the appropriate certifications will prevent certain payments from being subject to backup withholding.

Note: If a requester gives you a form other than W-9 to request your TIN, you must use the requester's form.

How To Obtain a TIN. -- If you do not have a TIN, apply for one immediately. To apply, get Form SS-5, Application for a Social Security Card (for individuals), from your local office of the Social Security Administration, or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), from your local IRS office.

To complete Form W-9 if you do not have a TIN, write "Applied for" in the space for the TIN in Part I, sign and date the form, and give it to the requester. Generally, you will then have 60 days to obtain a TIN and furnish it to the requester. If the requester does not receive your TIN within 60 days, backup withholding, if applicable, will begin and continue until you furnish your TIN to the requester. For reportable interest or dividend payments, the payor must exercise one of the following options concerning backup withholding during this 60-day period. Under option (1), a payor must backup withhold on any withdrawals you make from your account after 7 business days after the requester receives this form back from you. Under option (2), the payor must backup withhold on any reportable interest or dividend payments made to your account, regardless of whether you make any withdrawals. The backup withholding under option (2) must begin no later than 7 business days after the requester receives this form back. Under option (2), the payor is required to refund the amounts withheld if your certified TIN is received within the 60-day period and you were not subject to backup withholding during that period.

Note: Writing "Applied for" on the form means that you have already applied for a TIN or that you intend to apply for one in the near future.

As soon as you receive your TIN, complete another Form W-9, include your TIN, sign and date the form, and give it to the requester.

What Is Backup Withholding? -- persons making certain payments to you after 1992 are required to withhold and pay to the IRS 31% of such payments under certain conditions. This is called "backup withholding." Payments that could be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee compensation, and certain payments from fishing boat operators, but do not include real estate transactions.

If you give the requester your correct TIN, make the appropriate certifications, and report all your taxable interest and dividends on your tax return, your payments will not be subject to backup withholding. Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester, or

2. The IRS notifies the requester that you furnished an incorrect TIN, or

3. You are notified by the IRS that you are subject to backup withholding because you failed to report all your interest and dividends on your tax return (for reportable interest and dividends only), or

4. You do not certify to the requester that you are not subject to backup withholding under 3 above (for reportable interest and dividend accounts opened after 1983 only), or

5. You do not certify your TIN. This applies only to reportable interest, dividend, broker, or barter exchange accounts opened after 1983, or broker accounts considered inactive in 1983.

Except as explained in 5 above, other reportable payments are subject to backup withholding only if 1 or 2 above applies. Certain payees and payments are exempt from backup withholding and information reporting. See Payees and Payments Exempt From Backup Withholding, below, and Example Payees and Payments under Specific Instructions, below, if you are an exempt payee.

Payees and Payments Exempt From Backup Withholding. -- The following is a list of payees exempt from backup withholding and for which no information reporting is required. For interest and dividends, all listed payees are exempt except as listed in item (9). For broker transactions, payees listed in items (1) through (13) and a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker are exempt. Payments subject to reporting under sections 6041 and 6041A are generally exempt from backup withholding only if made to payees described in items (1) through (7), except a corporation that provides medical and health care services or bills and collects payments for such services is not exempt from backup withholding or information reporting. Only payees described in items (2) through (6) are exempt from backup withholding for barter exchange transactions, patronage dividends, and payments by certain fishing boat operators.

(1) A corporation. (2) An organization exempt from tax under section 501(a), an IRA, or a custodial account under section 403(b)(7). (3) The United States or any of its agencies or instrumentalities. (4) A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities. (5) A foreign government or any of its political subdivisions, agencies, or instrumentalities. (6) An international organization or any of its agencies or instrumentalities. (7) A foreign central bank of issue. (8) A dealer in securities or commodities required to register in the United States or a possession of the United States. (9) A futures commission merchant registered with the Commodity Futures Trading Commission. (10) A real estate investment trust. (11) An entity registered at all times during the tax year under the Investment Company Act of 1940. (12) A common trust fund operated by a bank under section 584(a). (13) A financial institution. (14) A middleman known in the investment community as a nominee or listed in the most recent publication of the American Society of Corporate Secretaries, Inc., Nominee List. (15) A trust exempt from tax under section 664 or described in section 4947.

Payments of dividend and patronage dividends generally not subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.

Payments of interest generally not subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.

Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payor's trade or business and you have not provided your correct TIN to the payor.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Mortgage interest paid by you.

Payments that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A, and 6050N, and the regulations under those sections.

PENALTIES

Failure To Furnish TIN. -- If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil Penalty for False Information With Respect to Withholding. -- If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal Penalty for Falsifying Information. -- Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. -- If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

SPECIFIC INSTRUCTIONS

Name. -- If you are an individual, you must generally provide the name shown on your social security card. However, if you have changed your last name, for instance, due to marriage, without informing the Social Security Administration of the name change, please enter your first name, the last name shown on your social security card, and your new last name.

If you are a sole proprietor, you must furnish your individual name and either your SSN or EIN. You may also enter your business name or "doing business as" name on the business name line. Enter your name(s) as shown on your social security card and/or as it was used to apply for your EIN on Form SS-4.

SIGNING THE CERTIFICATION.

1. Interest, Dividend, and Barter Exchange Accounts Opened Before 1984 and Broker Accounts Considered Active During 1983. You are required to furnish your correct TIN, but you are not required to sign the certification.

2. Interest, Dividend, Broker, and Barter Exchange Accounts Opened After 1983 and Broker Accounts Considered Inactive During 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real Estate Transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other Payments. You are required to furnish your correct TIN, but you are not required to sign the certification unless you have been notified of an incorrect TIN. Other payments include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services, payments to a nonemployee for services (including attorney and accounting fees), and payments to certain fishing boat crew members.

5. Mortgage Interest Paid by You, Acquisition or Abandonment of Secured Property, or IRA Contributions. You are required to furnish your correct TIN, but you are not required to sign the certification.

6. Exempt Payees and Payments. If you are exempt from backup withholding, you should complete this form to avoid possible erroneous backup withholding. Enter your correct TIN in Part I, write "EXEMPT" in the block in Part II, and sign and date the form. If you are a nonresident alien or foreign entity not subject to backup withholding, give the requester a complete Form W-8, Certificate of Foreign Status.

7. TIN "Applied for." Follow the instructions under How To Obtain a TIN, on page 1, and sign and date this form.

Signature. -- For a joint account, only the person whose TIN is shown in Part I should sign.

Privacy Act Notice. -- Section 6109 requires you to furnish your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, or contributions you made to an IRA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. You must provide your TIN whether or not you are required to file a tax return. Payors must generally withhold 31% of taxable interest, dividends, and certain other payments to a payee who does not furnish a TIN to a payor. Certain penalties may also apply.

WHAT NAME AND NUMBER TO GIVE THE REQUESTER

FOR THIS TYPE OF ACCOUNT:	GIVE NAME AND SSN OF:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)
4.a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee (1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner (1)
5. Sole proprietorship	The owner (3)
FOR THIS TYPE OF ACCOUNT:	**GIVE NAME AND EIN OF:**
6. Sole proprietorship	The owner (3)
7. A valid trust, estate, or pension trust	Legal entity (4)
8. Corporate	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district or prison) that receives agriculture program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's SSN.
(3) Show your individual name. You may also enter your business name. You may use your SSN or EIN.
(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title).

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

Exhibit 99(a)(7)

LOCKHEED MARTIN AND LORAL AGREE TO STRATEGIC COMBINATION

Lockheed Martin Will Acquire Loral's Defense Electronics and System Integration Businesses for $9.1 Billion

Loral's Shareholders to Receive $38 Per Share in Cash and Shares in New Loral Space and Communications Corporation

Lockheed Martin to Invest $344 Million for 20 Percent of Loral Space at an Effective Price of $7.50 Per Share

Total Transaction Has Estimated Value In Excess of $10 Billion

BETHESDA, Maryland and NEW YORK CITY, January 8 -- Daniel M. Tellep, Chairman of Lockheed Martin Corporation (NYSE:LMT), Norman R. Augustine, Lockheed Martin's president and chief executive officer, and Bernard L. Schwartz, chairman and chief executive officer of Loral Corporation (NYSE:LOR), today announced agreement on a series of interrelated strategic transactions with an estimated value exceeding $10 billion.

The three key elements of the agreement are: first, the combination of the two companies' defense electronics and system integration businesses to enhance competitiveness and opportunities for growth in the rapidly evolving global environment; second, the distribution to Loral shareholders of its holdings in the fast-growing space and telecommunications market through a newly formed company to be called Loral Space and Communications Corporation; and third, a purchase by Lockheed Martin of an equity position in Loral Space.

Under the agreement, which has been unanimously approved by both companies' boards of directors:

- Lockheed Martin will acquire Loral's defense electronics and system integration businesses for approximately $9.1 billion, including $2.1 billion of assumed debt. Of the total, $7 billion, or $38 in cash per share, will be paid directly to Loral shareholders by Lockheed Martin through a tender offer commencing no later than Friday, January 12.

- Loral shareholders also will receive for each share, one share of the newly formed public company which will own Loral's present satellite and telecommunications interests, including Globalstar (NASDAQ:GSTRF) and Space Systems/Loral.

- Lockheed Martin will invest an additional $344 million for a 20% equity position in Loral Space, at an effective price of $7.50 per share. Loral Space will begin business with over $700 million in cash and no debt.

. Lockheed Martin will provide Loral Space with support in key technologies to further reinforce the strategic relationship.

. Schwartz will be chairman and CEO of Loral Space and will become vice chairman of Lockheed Martin and join its board of directors.

The agreement represents the culmination of a long-term relationship between Lockheed Martin and Loral, bringing together the technologies, resources and talents of two of the most successful companies in the defense electronics industry and creating a new space-based telecommunications company.

"The strategic combination with Loral solidifies Lockheed Martin's leadership position as a world premier high technology company," said Tellep. "It enhances our technology base, improves our competitiveness, expands our global reach and provides new opportunities for growth. With some $30 billion in annual sales and a broad portfolio of businesses spanning aerospace, defense, commercial and civil programs, we are well positioned for the 21st century. Our shareholders, customers and employees will benefit from this landmark event."

Schwartz said, "Our board and management team enthusiastically support this transaction as the right move at the right time. It ensures our customers and employees the long-term capabilities needed in our increasingly demanding marketplace. The combined businesses build on the complementary cultures of Lockheed Martin and Loral, and I look forward to working with our new partners. At the same time, the transaction provides Loral shareholders with significant present value together with continuing ownership in Loral Space, which itself has substantial potential for shareholder value growth. We intend to create a major space-based telecommunications enterprise, building on this foundation."

Augustine noted that the aerospace/electronics industry is continuing to consolidate with a corresponding strengthening of a number of other large competitors, both in the U.S. and abroad.

"The Lockheed Martin/Loral strategic combination expands our ability to serve our customers in areas spanning the depths of the oceans to the reaches of space. Moreover, the continued participation in the combined company of an industry leader like Bernard Schwartz will further enhance our ability to deliver shareholder value," Augustine said. "Financially, in 1996 the dilution to earnings will be minimal, even before

considering synergy benefits, and accretive thereafter. With the cash flow of the combined enterprise, we expect leverage to drop from 67% at the time of closing to less than 60% by year end 1996 with strong debt coverage maintained," Augustine said.

Lockheed Martin Highlights
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When the transaction is complete, Lockheed Martin's annual combined sales will reach approximately $30 billion with a total backlog of approximately $47 billion. The combination with Loral enhances key core businesses -- electronics, tactical systems, and information and technology services -- with major opportunities for improving competitiveness and capitalizing on complementary strengths in system integration; electronic combat systems; tactical missiles; data management systems; simulation and training systems; and command, control and communications. The company will operate with a discretionary research and development budget of approximately $1 billion per year, and is expected to generate approximately $1.5 billion to $2.0 billion in free cash annually.

Lockheed Martin currently is organized in five business sectors: Aeronautics, Electronics, Energy & Environment, Information & Technology Services, and Space & Strategic Missiles. When this transaction is completed, the Loral business units initially will constitute a sixth sector, Tactical Systems. A long-term consolidation plan will be developed following thorough review and analysis to determine how to best integrate these businesses.

Tellep, who remains chairman of the board, Augustine, who becomes vice chairman and continues as chief executive officer, and Schwartz, will form the Office of the Chairman, which will address key strategic issues. Schwartz intends to invest $10 million personally in Lockheed Martin common stock.

Two executive vice presidents and chief operating officers will report to Augustine. Vance D. Coffman, executive vice president and chief operating officer of Lockheed Martin, will have overall responsibility for the Aeronautics, Energy & Environment and Space & Strategic Missiles businesses. Frank C. Lanza, currently Loral's president and chief operating officer, also will join Lockheed Martin's board of directors and serve as an executive vice president and chief operating officer, with overall responsibility for the Electronics, Information & Technology Services and Tactical Systems businesses. In addition, Lanza will serve as president of Tactical Systems.

Loral Space Highlights
- ----------------------

Loral Space's space and telecommunications operations now will have concentrated management focus, over $700 million in cash, no debt, a sufficient financing in place to take advantage of a range of promising growth opportunities in satellite-based businesses worldwide, including those that are here now and those that will emerge in the future.

Loral Space has several principal operating assets. First is its 31% interest in Globalstar, which is developing a $2 billion worldwide satellite-based communications system capable of serving 10 million subscribers. Loral Space is the managing general partner of Globalstar. Second is its 33% interest in Space Systems/Loral, which is a leading commercial satellite manufacturing company with annual sales of $1 billion. Other assets of the enterprise will include all of Loral's Globalstar service provider franchises in Canada, Mexico and Brazil; Loral's interest in the projected domestic and international satellite DBS and broadband data projects, for example, Cyberstar; and Loral's 22% interest in K&F Industries, a $250-million revenue aircraft braking company. It is the intention over time to integrate the component operating parts of Loral Space into a single entity.

"This transaction will enable the senior management of Loral Space to focus on the satellite and space businesses, which have excellent potential for growth," said Schwartz. "The participation of Lockheed Martin will enhance the future of the new space company and will assure that the resources will be available to complete the Globalstar project. Loral now will be a leading space and communications company and have the opportunity to build and expand on its current positions in satellite, data and information technologies, and direct broadcast services."

At the same time it approved the Lockheed Martin strategic combination, the Loral board of directors adopted a shareholder rights plan, which is intended primarily to deter predatory or unfair acquisitions that might interfere with the company's strategic objectives.

Terms of the Transaction
- ------------------------

Lockheed Martin's offer is contingent, among other things, on the tendering of two-thirds of Loral's outstanding shares and government approvals, including U.S. and European antitrust reviews.

Loral's board of directors will declare the distribution of Loral Space and Communications Corporation shares to Loral shareholders of record prior to closing the tender offer. The proceeds of the transaction received by Loral's shareholders will be taxable to them. The two companies expect to close the transaction by the end of February 1996.

A bank group, consisting of Morgan Guaranty Trust Co. of New York, Bank of America and Citicorp USA, has committed $3.5 billion of financing and has commenced the process to syndicate a $10-billion credit facility for Lockheed Martin to support the tender offer.

Bear, Stearns & Co. is financial advisor to Lockheed Martin, will act as dealer-manager in connection with the tender offer, and also rendered a fairness opinion. Lazard Freres & Co, LLC and Lehman Brothers, Inc., are financial advisors to Loral and Lazard has rendered a fairness opinion to Loral's board of directors. The tender offer will be made pursuant to definitive offering documents to be filed with the Securities and Exchange Commission.

Lockheed Martin, headquartered in Bethesda, Maryland, is a highly diversified advanced technology company with current annual sales of $23 billion. It has 165,000 employees worldwide. Loral is a high technology company that primarily concentrates in defense electronics, communications, space and systems integration with annual sales of $6.7 billion. Headquartered in New York City, Loral has 38,000 employees.

CONTACT:

Charles Manor/Lockheed Martin Corporation/301-897-6258
Joanne Hvala/Loral Corporation/212-697-1105
Ruth Pachman/Jim Fingeroth/Kekst and Co./212-593-2655

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase, dated January 12, 1996, and the related Letter of Transmittal and is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Bear, Stearns & Co. Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdictions.

NOTICE OF OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(Including the Associated Rights)
of
LORAL CORPORATION
at
$38.00 NET PER SHARE
by
LAC ACQUISITION CORPORATION
a wholly owned subsidiary of
LOCKHEED MARTIN CORPORATION

LAC Acquisition Corporation, a New York corporation (the "Purchaser") and a wholly owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), is offering to purchase all outstanding shares of common stock, par value $.25 per share (including the associated Rights (as defined in the Offer to Purchase)) (collectively, the "Shares"), of Loral Corporation, a New York corporation (the "Company"), at $38.00 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 12, 1996 (the "Offer to Purchase") and in the related Letter of Transmittal (which together constitute the "Offer").

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, FEBRUARY 9, 1996, UNLESS THE OFFER IS EXTENDED. THE PURCHASER HAS AGREED, SUBJECT TO THE TERMS AND CONDITIONS OF THE OFFER, TO EXTEND THE OFFER UNTIL IMMEDIATELY AFTER THE TIME OF THE SPIN-OFF RECORD DATE (AS DEFINED BELOW).

THE OFFER IS BEING MADE AS PART OF A SERIES OF TRANSACTIONS THAT ARE EXPECTED TO RESULT IN (I) THE DISTRIBUTION TO THE COMPANY'S STOCKHOLDERS OF SHARES IN LORAL SPACE & COMMUNICATIONS LTD., A NEWLY-FORMED BERMUDA COMPANY ("LORAL SPACE") THAT WILL OWN AND MANAGE SUBSTANTIALLY ALL OF THE COMPANY'S SPACE AND SATELLITE INTERESTS, INCLUDING GLOBALSTAR, L.P. AND SPACE SYSTEMS/LORAL, INC., AND CERTAIN OTHER ASSETS OF THE COMPANY (THE "SPIN-OFF"), AND (II) THE ACQUISITION OF THE COMPANY'S DEFENSE ELECTRONICS AND SYSTEMS INTEGRATION BUSINESSES BY PARENT PURSUANT TO THE OFFER AND MERGER DESCRIBED HEREIN.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of January 7, 1996 (the "Merger Agreement"), among Parent, the Purchaser and the Company. The Merger Agreement provides that, among other things, the Purchaser will make the Offer and that following the purchase of Shares pursuant to the Offer and the satisfaction of the other conditions set forth in the Merger Agreement and in accordance with relevant provisions of the New York Business Corporation Law, the Purchaser will be merged with and into the Company (the "Merger"). Following consummation of the Merger, the Company will continue as the surviving corporation and will be a wholly owned subsidiary of Parent. At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares held by the Company as treasury stock or by any subsidiary of the Company that will be a subsidiary of Loral Space or by Parent, the Purchaser or any other subsidiary of Parent and other than Shares held by a holder who has not voted in favor of the Merger or consented thereto in writing and who has filed with the Company a written objection to the Merger and demanded fair value for such Shares in accordance with Section 623 of the New York Business Corporation Law) will be converted into the right to receive cash without interest in an amount equal to the price per Share paid in the Offer.

THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED THE OFFER, THE MERGER AND THE SPIN-OFF, DETERMINED THAT THE OFFER, THE MERGER AND THE SPIN-OFF ARE FAIR TO THE STOCKHOLDERS OF THE COMPANY AND ARE IN THE BEST INTERESTS OF THE STOCKHOLDERS OF THE COMPANY AND RECOMMENDS ACCEPTANCE OF THE OFFER AND APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE MERGER BY THE STOCKHOLDERS OF THE COMPANY.

The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn prior to the Expiration Date (as defined in the Offer to Purchase) a number of Shares which, when added to the number of Shares then beneficially owned by Parent and its affiliates, represents at least two-thirds of the total number of Shares outstanding and two-thirds of the voting power of the Shares outstanding on a fully diluted basis.

The Offer is not conditioned upon the Purchaser obtaining financing; provided, that if the Offer remains outstanding after April 30, 1996, the Offer will, subject to certain provisions of the Merger Agreement, be conditioned upon the Purchaser obtaining financing.

Promptly following consummation of the Offer, the Company will distribute shares of Loral Space (the "Loral Space Shares") to the record holders of Shares on a date to be determined by the Board of Directors of the Company (the "Spin-Off Record Date") pursuant to a Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, among Parent, the Company, a predecessor to Loral Space and various other subsidiaries of the Company (the "Distribution Agreement"). Because the parties to the Distribution Agreement have agreed to use their reasonable efforts to cause the time of the Spin-Off Record Date to be established so as to occur immediately prior to the acceptance for payment by the Purchaser of Shares, a record holder of Shares who tenders Shares pursuant to the Offer (and who does not subsequently withdraw and sell such Shares) is expected to be the record holder thereof on the Spin-Off Record Date. Accordingly, in the event that Shares are accepted for payment pursuant to the Offer, such record holders should be entitled to receive, in respect of each Share tendered, $38.00 net in cash from the Purchaser and one Loral Space Share from the Company. As a result of the Spin-Off, Loral Space will own and manage substantially all of the Company's space and satellite interests, including Globalstar, L.P. and Space Systems/Loral, Inc., and certain other assets of the Company. In addition, pursuant to the terms of the Distribution Agreement, approximately $712 million, subject to adjustment under certain circumstances, will be included in the assets of Loral Space after the Spin-Off. After the Spin-Off, the Company will continue to own and operate the defense electronics and systems integration business of the Company and will own shares of preferred stock of Loral Space that are convertible into 20% of Loral Space's common stock.

The Offer is subject to certain conditions set forth in the Offer to Purchase. If any such condition is not satisfied, the Purchaser may (i) terminate the Offer and return all tendered Shares to tendering stockholders, (ii) subject to the terms of the Merger Agreement, extend the Offer and, subject to withdrawal rights as set forth below, retain all such Shares until the expiration of the Offer as so extended, (iii) subject to the terms of the Merger Agreement, waive such condition and, subject to any requirement to extend the time during which the Offer is open, purchase all Shares validly tendered and not withdrawn prior to the Expiration Date or (iv) delay acceptance for payment of (whether or not Shares have theretofore been accepted for payment) or payment for Shares, subject to applicable law, until satisfaction or waiver of the conditions to the Offer.

The Purchaser reserves the right, at any time or from time to time in accordance with the terms of the Merger Agreement, to extend the period of time during which the Offer is open by giving oral or written notice of such extension to First Chicago Trust Company of New York (the "Depositary"). Any such extension will be followed as promptly as practicable by public announcement thereof no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled date on which the Offer was to expire. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer subject to the right of a tendering stockholder to withdraw such stockholder's Shares.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment tendered Shares when, as and if the Purchaser gives oral or written notice to the Depositary of its acceptance of the tenders of such Shares. Payment for Shares accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of certificates for such Shares (or a confirmation of a book-entry transfer of such Shares into the Depositary's account at one of the Book-Entry Transfer Facilities (as defined in the Offer to Purchase)), a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by the Letter of Transmittal.

Tenders of Shares made pursuant to the Offer may be withdrawn at any time prior to the Expiration Date. Thereafter, such tenders are irrevocable, except that they may be withdrawn at any time after March 11, 1996 unless theretofore accepted for payment as provided in the Offer to Purchase. To be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth in the Offer to Purchase and must specify the name of the person who tendered the Shares to be withdrawn and the number of Shares to be withdrawn. If the Shares to be withdrawn have been delivered to the Depositary, a signed notice of withdrawal with (except in the case of Shares tendered by an Eligible Institution (as defined in the Offer to Purchase)) signatures guaranteed by an Eligible Institution must be submitted prior to the release of such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the name of the registered holder (if different from that of the tendering stockholder) and the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn, or, in the case of Shares tendered by book-entry transfer, the name and number of the account at one of the Book-Entry Transfer Facilities to be credited with the withdrawn Shares.

The information required to be disclosed by paragraph (e)(1)(vii) of Rule 14d-6 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has agreed to provide the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares and will be furnished to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participant in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

THE OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

Requests for copies of the Offer to Purchase, the related Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below, and copies will be furnished promptly at the Purchaser's expense. The Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Dealer Manager and the Information Agent) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

MORROW & CO., INC.
909 Third Avenue, 20th Floor
New York, New York 10022
(212) 754-8000
or
Call Toll Free: (800) 566-9058
Banks and Brokerage Firms, please call: (800) 662-5200

The Dealer Manager for the Offer is:
BEAR, STEARNS & CO. INC.
245 Park Avenue
New York, New York 10167
Call Toll Free: (800) 726-9849

January 12, 1996

[LOGO -- JP Morgan]

January 5, 1996

Mr. Walter E. Skowronski
Vice President and Treasurer
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817

Dear Walt:

You have advised us that Lockheed Martin Corporation ("LMC" or the "Company") proposes to raise up to $10,000,000,000 in new senior bank financing for the purchase of the common stock of "Wings" and for general corporate purposes. It is also our understanding that the Company's current revolving credit facility will be canceled and replaced with the bank financing referred to above. In connection with this transaction, Morgan Guaranty Trust Company of New York ("Morgan") is pleased to propose (i) a $5,000,000,000, 364-day revolving credit facility and (ii) a $5,000,000,000, five-year revolving credit facility (collectively the "Credit Facilities") under the terms and conditions described in the attached Summary of Terms and Conditions (the "Term Sheet") for the Credit Facilities.

Morgan hereby commits to provide an aggregate of up to $1,375,000,000 comprised of (i) up to $687,500,000 in a five-year Credit Facility and (ii) at least $687,500,000 in a 364-day Credit Facility. This commitment is subject to (i) acceptance by you as set forth in the last paragraph of this letter by 5:00 p.m. (EST) on January 9, 1996, (ii) acceptance by you of a commitment for $1,375,000,000 to the Credit Facilities from Bank of America National Trust and Savings Association ("Bank of America") on the same terms and conditions and (iii) negotiation, execution and delivery of mutually acceptable definitive loan documentation (to be prepared by Morgan's counsel, Davis Polk & Wardwell) on or before April 30, 1996 or May 31, 1996 if Morgan's commitment is extended pursuant to the next sentence. In addition, Morgan's commitment will expire if your tender offer for the common stock of "Wings" does not close on or before April 30, 1996, unless such failure is due solely to the failure to have obtained any clearance which may be necessary under the Hart-Scott-Rodino Antitrust Improvements Act, in which case such expiration date shall be extended to May 31, 1996.

It is J.P. Morgan Securities Inc.'s ("JPMSI") intention to use best efforts to syndicate the Credit Facilities with BA Securities, Inc. ("BASI") to a group of leaders acceptable to Morgan, Bank of America and LMC (Morgan and such other lenders herein being called the "Banks"). LMC agrees to provide such assistance in the syndication effort as may be reasonably requested, including making members of management of the Company and its subsidiaries available to meet with prospective syndicate members, and assisting JPMSI and BASI in the preparation of a financing memorandum. It is our further expectation that no fewer than 50 banks will be invited to participate in the general syndication of these facilities and that the general syndication will be launched in approximately 2 weeks from the date of your acceptance.

By signing below, LMC acknowledges its obligation to pay Morgan and JPMSI the fees set forth in the Fee Letter dated January 5, 1996 (the "Fee Letter") among the Company, Morgan and JPMSI.

In addition, by signing below, LMC agrees to indemnify and defend Morgan and JPMSI and each other Bank and their respective directors, officers, agents, employees and affiliates from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or reasonable expenses incurred by any of them arising out of or by reason of any investigation, litigation or other proceeding brought or threatened relating to any loan made or proposed to be made to LMC or any of its affiliates in connection with the matters herein referred to (including, but without limitation, any use made or proposed to be made by LMC or any of its affiliates of the proceeds of such loans, but excluding any such losses, liabilities, claims, damages or expenses relating to the relationships of, between or among each of, or any of,the Banks, the Co-Arranger (as defined in the Term Sheet) and any assignees or participants thereof after the loan agreements have been executed by all parties thereto and excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the indemnitee), including, without limitation, amounts paid in settlement (approved in writing by LMC), court costs, and reasonable fees and disbursements of counsel incurred in connection with any such pending or threatened investigation, litigation or other proceeding.

If you accept and agree to this proposal, please so indicate by signing in the space provided below and returning a copy of this letter to us. This offer will expire at 5:00 p.m. (EST) on January 9, 1996, if this letter and the Fee Letter have not been accepted by you by that time.

Very truly yours,

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By: /s/ Robert M. Osieski

Name: Robert M. Osieski
Title: Vice President
60 Wall Street
New York, New York 10260

J.P. MORGAN SECURITIES INC.

By: /s/ Michael C. Marcer

Name: Michael C. Marcer
Title: Vice President
60 Wall Street
New York, New York 10260

ACCEPTED AND AGREED TO
this 7th day of January, 1996:

LOCKHEED MARTIN CORPORATION

By: /s/ Walter E. Skowronski

Name: Walter E. Skowronski
Title: Vice President and Treasurer

SUMMARY OF TERMS AND CONDITIONS
FOR LOCKHEED MARTIN CORPORATION

BORROWER:	Lockheed Martin Corporation ("Company"), directly or indirectly through LAC Acquisition Corp.
AMOUNT:	$5,000,000,000.
PURPOSE:	The purchase of the common stock of "Wings" and general corporate purposes including commercial paper backup.
ARRANGER AND SYNDICATION AGENT:	J.P. Morgan Securities Inc.
CO-ARRANGER:	BA Securities, Inc.
MANAGING AGENTS:	Citibank, N.A.
DOCUMENTATION AGENT:	Morgan Guaranty Trust Company of New York.
ADMINISTRATIVE AGENT:	Bank of America National Trust and Savings Association.
FACILITY DESCRIPTION:	364-day facility on a fully revolving basis.
BORROWING OPTIONS:	Committed Loans consisting of Base Rate Loans, CD Loans and LIBOR Loans. Uncommitted Money Market bid rate options ("Money Market Loans").
LENDERS:	Syndicate of lenders acceptable to Company and Arranger ("Banks").
TIMING:	Closing to occur by May 1996.
GUARANTORS:	Lockheed Corporation, Martin Marietta Corporation, Martin Marietta Technologies, Inc., LAC Acquisition Corporation or the Company if LAC Acquisition Corp. is the Borrower.
COMMITMENTS AND FEES: - ----------	
COMMITMENT:	With respect to Committed Loans, each Bank will fund each draw in proportion to its Commitment. With respect to Money Market Loans, each Bank may, but shall have no obligation to, make offers to make such Loans pursuant to requests submitted by Company. Drawdown of Money

	Market Loans will be deemed a use of Commitments of all Banks on pro rata basis.
REDUCTION OR CANCELLATION OF COMMITMENTS:	Commitments cancelable in whole or in part (ratably reduced in amounts of at least $25,000,000 and multiples of $5,000,000 in excess thereof) at election of Company upon not less than three business days' notice.
TERMINATION OF BANKS/REPLACING BANKS:	Company may terminate the entire Commitment of any Bank upon 10 business days' notice if a Bank demands increased costs or capital adequacy payments from Company or if the commitment of a Bank to make LIBOR Loans is suspended due to its inability to make such Loans. Company may replace such Bank with a new or existing Bank.
FACILITY FEE:	To be paid quarterly in arrears on the daily average of the total Commitments at a rate determined by reference to attached Pricing Schedule. Facility Fee will increase if ratings downgraded and decrease if ratings upgraded. Facility Fee computed on the basis of a year of 365 or 366 days over the actual number of days elapsed. Any change in Facility Fee shall become effective the day on which a rating agency shall have announced a ratings change.
INTEREST RATES - ----------	
INTEREST RATE OPTIONS:	LIBOR, CD Rate or Base Rate at the election of Company.
LIBOR INTEREST PERIOD OPTIONS:	One, two, three or six months, as selected by Company. Twelve-month LIBOR option available upon request of Company and consent of all Banks.
CD RATE INTEREST PERIOD OPTIONS:	30, 60, 90 or 180 days, as selected by Company.
RATE BASIS:	LIBOR CD Rate - Adjusted CD Rate. 3 LIBOR/CD Reference Banks to be appointed. Base Rate - higher of Reference Rate as announced by Administrative Agent or federal funds rate plus .5%. Any change in Base Rate effective on the day change is announced by Administrative Agent.

INTEREST PAYMENT:	Interest on LIBOR Loans, CD Loans and Base Rate Loans (if federal funds rate is effective rate) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Interest on Base Rate Loans (if Reference Rate is effective rate) shall be computed on the basis of a year of 365 or 366 days, as the case may be, and paid for the actual number of days elapsed. Interest accrued on Base Rate Loans shall be paid quarterly. Interest accrued on LIBOR Loans shall be paid on the last day of the Interest Period, on the date of any prepayment or conversion thereof, together with breakage costs, if any, and in the case of a LIBOR Loan with an Interest Period of twelve-months, on the six-month anniversary of the making of the LIBOR Loan. Interest accrued on CD Loans shall be paid on the last day of the Interest Period and on the date of any prepayment or conversion thereof, together with breakage costs, if any. If any CD Loan or portion thereof shall have an Interest Period of less than 30 days, such portion shall bear interest at the Base Rate during such period. Interest obligations accrue from the day funds are received through the day before principal is repaid.
RATE SPREAD:	For Base Rate Loans, Base Rate. For LIBOR Loans, LIBOR plus LIBOR Margin. For CD Loans, Adjusted CD Rate plus CD Margin. LIBOR Margin and CD Margin determined by reference to attached Pricing Schedule. LIBOR Margin and CD Margin will increase if ratings downgraded and decrease if ratings upgraded. Any change in the LIBOR Margin or CD Margin shall become effective for LIBOR Loans or CD Loans, as applicable, the day on which a rating agency shall have announced a ratings change.
POST DEFAULT RATE:	2% per annum above the Base Rate for such date.
BORROWING PROCEDURES - ----------	
MINIMUM DRAW:	$10,000,000 with additional increments of $1,000,000. No per draw limit up to total unused Commitments.
NOTIFICATION/TIMING:	Base Rate: To Administrative Agent, by 11:00 a.m. New York City time on day of draw. LIBOR: To Administrative Agent, by 1:00 p.m. New York City time, 3 business days before draw or, in the case of an Interest Period of twelve-months, by 1:00 p.m. New York City time, 4 business days before draw.

CD Rate: To Administrative Agent, by 1:00 p.m. New York City time, 2 business days before draw.

An officer or a Designated Representative (certain designated employees) to provide notice to Administrative Agent. An officer or Designated Representative may provide telephonic notice, to be followed by appropriately authorized written notice.

FUND DELIVERY: Banks to deliver funds to Administrative Agent by 1:00 p.m. New York City time. Administrative Agent to wire transfer loan principal (U.S. Dollars) in immediately available funds to an account to be designated by Company immediately upon receipt, but not later than 4:00 p.m. New York City time. Administrative Agent may make up a shortfall of funds received. Any Bank not making its pro rata share of any Loan available to Administrative Agent and Company, if it does not repay such share of any Loan, at the required date and time severally agree to repay Administrative Agent such shortfall, with interest (at the federal funds rate). If a Bank fails to fund a Loan, amounts received by Administrative Agent will be deemed to have been paid to Bank and made available to Administrative Agent for the Loan.

CONVERSION/CONTINUATION: Company may (i) convert all or any portion of outstanding Base Rate Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to LIBOR Loans or CD Loans, (ii) convert all or any portion of outstanding LIBOR Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or CD Loans, and (iii) convert all or any portion of outstanding CD Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or LIBOR Loans. Upon the expiration of any Interest Period applicable to a LIBOR Loan or a CD Loan, Company may continue all or any portion of such Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof as LIBOR Loans or CD Loans, as applicable. Written or telephonic notice of such conversion/continuation shall be delivered to Administrative Agent no later than (i) 1:00 p.m. New York City time (a) at least 3 business days in advance of the proposed date of conversion to or continuation of LIBOR Loans or (b) at least 2 business days in advance of the proposed date of conversion to or continuation of CD Loans and (ii) 11:00 a.m. New York City time on the day of the proposed conversion to a Base Rate Loan. Telephonic notice of conversion/continuation to be promptly followed by a written notice thereof. If timely notice of conversion/continuation not provided by Company as to any LIBOR loan or CD Loan and such Loan is not repaid by

Company at the end of the applicable Interest Period thereof, such Loan shall be converted to a Base Rate Loan.

PREPAYMENTS: Base Rate Loans can be repaid in whole or in part on any day without penalty or premium. CD Loans can be repaid with 1 business day's notice. LIBOR Loans can be repaid with 3 business days' notice. Each partial prepayment shall be in an aggregate amount of not less than $10,000,000 and shall include interest accrued on the Loans to the prepayment date and any breakage costs (excluding loss of Margin).

PAYMENTS TO BANKS: All payments by Company to Banks under Loan Agreement are to be in U.S. Dollars, free of taxes, and wire transferred to Administrative Agent in immediately available funds no later than 2:00 p.m. New York City time.

PARTICIPATIONS/ASSIGNMENTS: Assignments may be made to Eligible Institutions with the prior notification to the Administrative Agent and prior written consent of Company, which shall not be unreasonably withheld, in minimum amounts of $15,000,000. Withholding of consent is not unreasonable if based solely on desire to manage loan exposures to proposed assignee or avoid payment of additional increased costs of taxes payable by Company by reason of such assignment. No Company consent required for assignment to an affiliate of a Bank. Each Bank must retain at least $15,000,000 commitment. Participations permitted without consent of Company upon prior written notification to Company (no prior notification required in the case of participations of Money Market Loans). Transferability of voting rights limited to change in principal, rate, fees and term. "Eligible Institution" means any commercial bank having total assets in excess of $3,000,000,000 or the equivalent amount of local currency of such bank or affiliates of such bank that are financial institutions.

CONDITIONS PRECEDENT
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(A) Effectiveness of Loan Agreement: customary for this type of transaction, including:

1) termination of, and payment of amounts due under, existing revolving credit agreements.

2) execution and delivery of:

a) opinion of General Counsel or Assistant General Counsel to Company and opinion of special counsel to company;

b) opinion of Bank counsel;

c) certified copies of charters, bylaws, and corporate action authoring Loan Agreement;

d) note for each Bank, if requested;

e) certificate indicating incumbency and signatures of officers signing Loan Agreement and those officers and employees authorized to give notice of borrowing; and

f) LAC and Wings shall have entered into a merger agreement in form and substance satisfactory to the Banks providing for the acquisition to be effected by a cash tender offer for at least 66% of Wing's common stock and subsequent merger.

(g) terms and conditions of the tender offer shall be in substance as disclosed to the Banks prior to their commitments but shall in all events include that LAC shall own and control the number of shares of Wing's common stock as shall be necessary to approve the merger without the affirmative vote or approval of any other shareholders; the conditions to the consummation of the tender offer shall have been satisfied and shall not have been waived, except for conditions (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and tendered shares shall have been accepted for payment pursuant to the tender offer in accordance with the terms of the tender offer.

(h) evidence satisfaction to the Documentation Agent and Administrative Agent that all other necessary licenses, permits and governmental and third-party filings, consents and approvals for the acquisition and merger have been made or obtained and remain in full force and effect, except for those (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and the tender offer and the financing thereof shall be in compliance with all laws and regulations (including, without limitation, the margin regulations).

(B) All Loans: (i) accuracy of Representations and Warranties, with the exception, for Loans other than the tender offer funding, of the representations concerning litigation, taxes, ERISA, no Material Adverse Effect since date of pro forma financial statements delivered to Banks and environmental matters and (ii) no Event of Default.

REPRESENTATIONS AND WARRANTIES

CORPORATE EXISTENCE & POWER: Company and its Significant Subsidiaries duly organized, validly existing and in good standing in respective state of incorporation and qualified to do business where necessary, except where failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Company has all necessary corporate power to enter into and perform under Loan Agreement and Notes.

"Material Adverse Effect" means a material adverse effect on (a) ability of Company to perform obligations under Agreement or Notes, (b) validity or enforceability of Agreement or Notes, (c) rights and remedies of any Bank or Agents or (d) timely payment of principal of or interest on the Loans or other amounts paid in connection therewith.

"Significant Subsidiary" means a Subsidiary with total assets, net of depreciation and amortization and after intercompany eliminations, in excess of $100,000,000.

"Subsidiary" as defined does not include any Exempt Subsidiary, but otherwise means any entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body.

"Restricted Subsidiary" means any Significant Subsidiary, any Subsidiary that has substantially all of its property located in the United States and that owns a Principal Property and any other Subsidiary designated from time to time by the Company as a "Restricted Subsidiary." Subsidiaries of a Restricted Subsidiary are not Restricted Subsidiaries solely by virtue of such Subsidiary status. If at the end of any fiscal quarter, the aggregate net assets of the Company and all of its Restricted Subsidiaries are less than a specified percentage of the total net assets of the Company and its Subsidiaries taken as a whole, as reported in the Company's financial statements (the "Total Net Assets") , the Company shall designate another Subsidiary or Subsidiaries as Restricted Subsidiaries such that the net assets of such Subsidiary or Subsidiaries that are not encumbered to secure Debt, plus the net assets of the Company and the other Restricted Subsidiaries, equals or exceeds a specified percentage of the Total Net Assets.

Thereafter, the Company may designate a Subsidiary or Subsidiaries (other than a Restricted Subsidiary as defined without regard to any prior such designations by the Company) as no longer a Restricted Subsidiary, provided that the aggregate net assets of the Company and all of its Restricted Subsidiaries after giving effect thereto shall equal or exceed a specified percentage of the Total Net Assets.

"Exempt Subsidiary" means Lockheed Martin Finance Corporation, Martin Marietta Materials, Inc. and any other entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body, the book value, net of depreciation, amortization and intercompany eliminations, of the assets of which, when aggregated with the book values, net of depreciation, amortization and intercompany eliminations, of the assets of any other Exempt Subsidiary other than Lockheed Martin Finance Corporation or Martin Marietta Materials, Inc., do not exceed a specified percentage of the value of total assets of Company and its consolidated subsidiaries, and which are designated as such by Company.

"Principal Property" defined as any manufacturing property with a book value, net of depreciation and amortization, in excess of $5,000,000 .

NO CONTRAVENTION: Execution, delivery and performance of Loan Agreement and Notes do not contravene, or constitute a default under, Company's or Guarantors' charter documents or any applicable laws or regulations or any agreements or instruments to which Company is a party which would be reasonably likely to have a Material Adverse Effect.

CORPORATE AUTHORIZATION: Company and Guarantors have taken all corporate action necessary for entering into Loan Agreement and Notes and consummating transaction thereunder; Loan Agreement and Notes are valid, binding and enforceable against Company and Guarantors, subject to bankruptcy and equity exceptions.

FINANCIAL INFORMATION: Pro forma financial statements delivered to Banks fairly present financial position as of date of such financial statements on a pro forma basis consistent with the assumptions stated therein; includes representation that no Material Adverse Effect has occurred since date of such financial statements.

LITIGATION; TAXES: No litigation exists against Company or any Subsidiary, an adverse determination of which is reasonably likely to occur and if so adversely determined would be reasonably likely to have a

	Material Adverse Effect and, at the time of the tender offer closing, there shall be (i) no injunction against consummation of the tender offer, (ii) no litigation pending or threatened which gives rise to a material likelihood that the merger will not be consummated or will be subject to the undue delay and (iii) no litigation pending or threatened, other than that as to which there is not a material likelihood of success, challenging the legality, validity or legal effect of the financing. Company and each Subsidiary have filed all material tax returns and paid all taxes due thereunder when due, except for those not delinquent, those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect and those contested in good faith.
GOVERNMENTAL APPROVALS:	No governmental consents or approvals required in connection with Loan Agreement and Notes, except routine filings under Securities Exchange Act of 1934 and the filing of International Capital Form CQ-1's.
MARGIN REGULATIONS:	No part of proceeds of Loans will be used in violation of Federal Reserve Regulation U, G, T and X.
PARI PASSU OBLIGATIONS:	Claims of other parties to Loan Agreement against Company will not be subordinate to, and will rank at least pari passu with, claims of other unsecured creditors of Company, except as may be provided for under applicable bankruptcy laws.
NO DEFAULTS:	No payment default in respect of Material Debt. "Material Debt" defined as debt of Company and/or one or more of its Subsidiaries exceeding $100,000,000 in an aggregate principal amount.
ERISA:	Company and related ERISA entities (the "ERISA Group") have fulfilled their obligations under minimum funding standards of ERISA and the Internal Revenue Code and are in substantial compliance with all material provisions of ERISA and Internal Revenue Code with respect to each ERISA plan. ERISA Group has not (i) sought a waiver of minimum funding standards, (ii) failed to make a contribution to any plan or made any amendment to any plan which could result in material lien or posting of material bonds or (iii) incurred material liability under Title IV of ERISA (other than for payment of premiums under ERISA).
DISCLOSURE:	Written information provided to the Banks in connection with Loan Agreement, collectively, does not contain any misstatement of a material fact or omit to state a fact necessary to make the statements contained therein, in light of the circumstances under

	which they were made, not misleading in any material respect on and as of the date of Loan Agreement.
ENVIRONMENTAL:	Based upon Company's periodic review of its ongoing operations (and those of its Restricted Subsidiaries), to the best knowledge of Company, ongoing operations at the Principal Properties are currently being conducted in substantial compliance with applicable environmental laws, except to the extent that noncompliance would not be reasonably likely to result in a material adverse change in the consolidated financial conditions of Company and its consolidated subsidiaries.
COVENANTS - ---------	Covenants customary for this type of transaction, including:
ACCOUNTING:	Except as otherwise specified, accounting measurements will be per GAAP as in effect from time to time. Company or Required Banks have ability to request covenant change if change in GAAP affects covenant; effect of change in GAAP then suspended until new covenant negotiated.
INFORMATION/REPORTING/DISTRIBUTION:	60 day delivery for quarterly financial reports and 120 day delivery for annual financial reports; delivery of such statements as filed with the SEC satisfies requirement. Documents distributed to shareholders or filed with the SEC (with certain exceptions) to be distributed to the Banks promptly after becoming available. Company to provide prompt notice of (i) the occurrence of any Default and (ii) certain litigation.
COMPUTATION OF COVENANTS:	Company to provide with each distribution of annual and quarterly financial statements computations of leverage ratio.
MAINTENANCE OF EXISTENCE:	Company and Significant Subsidiaries will preserve and maintain corporate existence. Company may terminate business or corporate existence of a Subsidiary which in Company's judgment is no longer necessary or desirable. Mergers, consolidations and transfers of assets permitted as set forth below. No prohibition on merger of a Subsidiary into Company, or merger or consolidation of a Subsidiary with or into another entity if surviving corporation is a Subsidiary and no Default shall have occurred and be continuing.
MERGERS, CONSOLIDATIONS & SALES OF ASSETS:	Merger, consolidation, transfer or conveyance of substantially all Company's assets prohibited unless resulting corporation is Company or a consolidated subsidiary that is a domestic corporation that expressly assumes payment of indebtedness and performance of covenants under Loan Agreement, no Default shall have occurred and be continuing after giving effect to transaction

	and if Company is not surviving corporation, there has been delivered an Officer's Certificate and legal opinion of its counsel stating that such transaction complies with Loan Agreement. Upon any such transaction, the entity formed by such transaction shall succeed to and be substituted for Company under Loan Agreement. This covenant shall not apply to any sale of Wing's stock, so long as it is margin stock, for value.
LIMITATION ON LIENS:	No liens on assets of the Company or any Restricted Subsidiary to secure Debt allowed except (i) liens existing on the date of Loan Agreement, (ii) liens on property of a corporation existing at the time the corporation is merged or consolidated with Company or a Restricted Subsidiary, (iii) liens securing debt owing to Company or another Restricted Subsidiary, (iv) mechanic's liens, (v) liens on property of a corporation existing at the time the corporation becomes a Restricted Subsidiary, (vi) liens on property at time of acquisition of property and purchase money liens, including liens incurred in connection with industrial revenue bonds, to secure payment of purchase price or indebtedness incurred or guaranteed prior to, at the time of or within one year after acquisition, completion of full operation of property if indebtedness incurred or guaranteed to pay purchase price of property or improvements, (vii) liens in favor of any customer (including any governmental authority) to secure partial, progress, advance or other payments or performance pursuant to any contract or statute or to secure any related indebtedness or to secure Debt guaranteed by a governmental authority, (viii) liens on cash or certificates of deposit or other bank obligations securing indebtedness in aggregate principal amount not in excess of $200,000,000 (which may be in a different currency) of an amount substantially equal in value (at the time the lien is created) to such cash, certificates of deposit or other obligations, (ix) any extension, renewal, replacement of the foregoing, (x) liens equally and ratably severing this credit facility and such Debt and (xi) liens not otherwise referred to securing Debt that does not in the aggregate exceed the greater of 10% of stockholders' equity at the end of the preceding fiscal quarter or $1,000,000,000. Liens described in (ii), (v) and (vi) shall not include any liens on stock or assets of "Wings" or its subsidiaries incurred in contemplation of the merger. This covenant shall not apply to margin stock in excess of 25% in value of the assets covered by this covenant.
PAYMENT OF OBLIGATIONS:	Company and each Significant Subsidiary will pay all material taxes, assessments, and governmental charges imposed upon it and all lawful material claims prior to date any penalty accrues or lien imposed except for (i) those contested in good faith, (ii) those not delinquent and (iii) those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect.

COMPLIANCE WITH LAWS:	Company and each Significant Subsidiary shall comply with all laws, a breach of which would be reasonably likely to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.
INSURANCE:	Company and each Significant Subsidiary will maintain insurance as is customarily carried by owners of similar businesses and properties (or to the customary extent, self-insurance).
MAINTENANCE OF PROPERTIES:	Company and its Significant Subsidiaries will keep all properties necessary in its business in good working order, normal wear and tear excepted; Company or any Subsidiary may discontinue operation and/or maintenance of such properties if discontinuance is in Company's (or such Subsidiary's) judgment desirable.
LEVERAGE RATIO:	Ratio of Debt (as defined) as of the last day of any fiscal quarter to the sum of (i) Debt (as defined) and (ii) Stockholders' Equity (as defined) at levels to be determined.
STOCKHOLDERS' EQUITY AS DEFINED:	Consolidated Stockholders' Equity of Company and consolidated Subsidiaries as reported.
DEBT AS DEFINED:	Debt shall mean, without duplication: (i) all debt, including ESOP guarantees and capitalized lease obligations, reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries, plus ---- (ii) all indebtedness for borrowed money and capitalized lease obligations incurred by third parties guaranteed by Company and its consolidated Subsidiaries not otherwise reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries.
USE OF LOANS:	Proceeds of the Loans may be used for any lawful corporate purpose.
WAIVERS:	Required Banks may waive compliance with any covenant (other than certain provisions relating to principal payments, fees, interest rate, due dates and guarantees, which require consent of all Banks).

EVENTS OF DEFAULT
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PRINCIPAL PAYMENTS:	Failure to pay when due.

INTEREST AND FACILITY FEE PAYMENTS:	Failure to pay within 5 days of due date.
OTHER FEES:	Failure to pay within 30 days after written request for payment thereof.
BREACH OF CERTAIN COVENANTS:	Failure to perform under the following covenants: 1) Merger/Consolidation Restrictions 2) Limitations on Liens 3) Leverage Ratio
BREACH OF OTHER COVENANTS:	Failure to perform within 30 days after written notice.
REPRESENTATIONS:	5 days to correct after written notice.
ACCELERATION OF DEBT:	Any Material Debt shall be accelerated by reasons of default thereunder or not paid when due and corrective action shall not have been taken within 5 days after written notice thereof.
BANKRUPTCY:	Company or any Significant Subsidiary shall commence voluntary proceeding under bankruptcy laws, or seek appointment of receiver or trustee, or shall consent to any of the foregoing; or makes a general assignment for benefit of creditors; or fails generally to pay its debts as they become due; or takes any corporate action to authorize the foregoing. Involuntary case or proceeding commenced against Company or any Significant Subsidiary seeking relief under bankruptcy laws or seeking appointment of trustee or receiver, and such proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against Company or any Significant Subsidiary under federal bankruptcy laws.
FINAL JUDGMENTS:	Final judgment requiring payment of $150,000,000 or more that has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.
ERISA:	A final judgment either (1) requiring termination or imposing liability under Title IV of ERISA (other than for premiums) in respect of, or requiring a trustee to be appointed pursuant to Title IV of ERISA to administer, any plan or plans having unfunded liabilities in excess of $150,000,000 or (2) in an action relating to a Multiemployer Plan involving a current payment obligation in excess of $150,000,000, which judgment in either case has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.

CHANGE IN OWNERSHIP OF STOCK:	Any person or group of persons (other than employee benefit or stock ownership plan of Company) has acquired shares of capital stock having ordinary voting power to elect a majority of the Board of Directors of Company or change in majority of Board of Directors within a two-year period.
GUARANTY INVALIDATED:	Revocation or invalidation of guaranty of the Loan Agreement and the Notes.
REMEDIES:	Commitments terminate and loan/interest become due and payable upon the receipt of notice from Documentation Agent (automatic in case of bankruptcy).
NOTICES OF DEFAULT:	All notices or requests specified in Events of Default provisions to be given by Documentation Agent at the request of the Required Banks.

MISCELLANEOUS
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GOVERNING LAW/SUBMISSION TO JURISDICTION:	New York law governs. Parties submit to the jurisdiction of New York courts for all legal proceedings and waive any objection to the laying of venue of any such proceeding brought in such a court and claim of inconvenient forum.
WAIVER OF JURY TRIAL:	Company, Agents and Banks each waive rights to trial by jury.
REQUIRED BANKS:	Banks holding in excess of 50% of outstanding Commitments.
INCREASED COSTS/CAPITAL ADEQUACY/ ILLEGALITY:	Increased cost/capital adequacy/ illegality provisions to be included and will generally provide that no increased cost or capital adequacy payment may be claimed if allocable to periods prior to 30 days prior to date Company is notified of claim by a Bank; no compensation for increases in capital not occasioned by a Change in Law or beyond that required by a Change in Law. Any Bank requesting additional compensation shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation or permit the Bank to make or maintain any LIBOR Loan, so long as such designation is not disadvantageous to such Bank. Any Regulation D charges shall be billed through Administrative Agent. "Change in Law" as defined is the adoption of any law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof, after Closing Date, by any governmental authority, central bank or comparable agency or

	compliance with any directive (whether or not having the force of law) of any such entity.
INDEMNITY:	Company to indemnify Banks for (i) funding costs and/or losses (excluding loss of margin) if prepayment or conversion of a LIBOR Loan or a CD Loan occurs prior to the end of an Interest Period or if Company fails to consummate a LIBOR Loan or a CD Loan because conditions precedent to borrowing or conversion not satisfied and (ii) reasonable costs and expenses of litigation in response to or in defense of any proceeding brought or threatened against a Bank relating to the Agreement or Company's use of proceeds of the Loans.
EXPENSES:	In connection with preparing Loan Agreement, Company will pay reasonable fees and disbursements of special counsel to Agents and reasonable out-of-pocket expenses incurred by Agents. In connection with an Event of Default and enforcement proceedings, Company will pay reasonable out-of-pocket expenses of Agents and Banks, including reasonable fees and expenses of counsel (including in-house counsel).
DOCUMENT PREPARATION:	Loan Agreement to be prepared by Davis Polk & Wardwell.

LOCKHEED MARTIN CORPORATION
PRICING SCHEDULE
364-DAY REVOLVER

The LIBOR Margin, the CD Margin and the Facility Fee shall be as specified below (in basis points per annum).

		LEVEL I	LEVEL II	LEVEL III	LEVEL IV
BASIS FOR PRICING		If Company is rated A or better by S&P or A2 or better by Moody's	If Company is rated A- or better by S&P or A3 or better by Moody's	If Company is rated BBB+ or better by S&P or Baa1 or better by Moody's	If Company is rated BBB or better by S&P or Baa2 or better by Moody's
FACILITY FEE		6.00	7.00	8.00	9.00
LIBOR +	Greater than 50%	16.50	18.00	22.00	26.00
	Less than 50%	16.50	18.00	27.00	31.00
CD +	Greater than 50%	29.00	30.50	34.50	38.50
	Less than 50%	29.00	30.50	39.50	43.50
UNUSED COST		6.00	7.00	8.00	9.00
USED COST	Greater than 50%	22.50	25.00	30.00	35.00
	Less than 50%	22.50	25.00	35.00	40.00

SUMMARY OF TERMS AND CONDITIONS
FOR LOCKHEED MARTIN CORPORATION

BORROWER:	Lockheed Martin Corporation ("Company"), directly or indirectly through LAC Acquisition Corp.
AMOUNT:	$5,000,000,000.
PURPOSE:	The purchase of the common stock of "Wings" and general corporate purposes including commercial paper backup.
ARRANGER AND SYNDICATION AGENT:	J.P. Morgan Securities Inc.
CO-ARRANGER:	BA Securities, Inc.
MANAGING AGENTS:	Citibank, N.A.
DOCUMENTATION AGENT:	Morgan Guaranty Trust Company of New York.
ADMINISTRATIVE AGENT:	Bank of America National Trust and Savings Association.
FACILITY DESCRIPTION:	Five-year facility on a fully revolving basis.
BORROWING OPTIONS:	Committed Loans consisting of Base Rate Loans, CD Loans and LIBOR Loans. Uncommitted Money Market bid rate options ("Money Market Loans").
LENDERS:	Syndicate of lenders acceptable to Company and Arranger ("Banks").
TIMING:	Closing to occur by May 1996.
GUARANTORS:	Lockheed Corporation, Martin Marietta Corporation, Martin Marietta Technologies, Inc., LAC Acquisition Corporation or the Company if LAC Acquisition Corp. is the Borrower .
COMMITMENTS AND FEES: - ----------	
COMMITMENT:	With respect to Committed Loans, each Bank will fund each draw in proportion to its Commitment. With respect to Money Market Loans, each Bank may, but shall have no obligation to, make offers to make such Loans pursuant to requests submitted by Company. Drawdown of Money

	Market Loans will be deemed a use of Commitments of all Banks on pro rata basis.
REDUCTION OR CANCELLATION OF COMMITMENTS:	Commitments cancelable in whole or in part (ratably reduced in amounts of at least $25,000,000 and multiples of $5,000,000 in excess thereof) at election of Company upon not less than three business days' notice.
TERMINATION OF BANKS/REPLACING BANKS:	Company may terminate the entire Commitment of any Bank upon 10 business days' notice if a Bank demands increased costs or capital adequacy payments from Company or if the commitment of a Bank to make LIBOR Loans is suspended due to its inability to make such Loans. Company may replace such Bank with a new or existing Bank.
FACILITY FEE:	To be paid quarterly in arrears on the daily average of the total Commitments at a rate determined by reference to attached Pricing Schedule. Facility Fee will increase if ratings downgraded and decrease if ratings upgraded. Facility Fee computed on the basis of a year of 365 or 366 days over the actual number of days elapsed. Any change in Facility Fee shall become effective the day on which a rating agency shall have announced a ratings change.
INTEREST RATES - ----------	
INTEREST RATE OPTIONS:	LIBOR, CD Rate or Base Rate at the election of Company.
LIBOR INTEREST PERIOD OPTIONS:	One, two, three or six months, as selected by Company. Twelve-month LIBOR option available upon request of Company and consent of all Banks.
CD RATE INTEREST PERIOD OPTIONS:	30, 60, 90 or 180 days, as selected by Company.
RATE BASIS:	LIBOR CD Rate - Adjusted CD Rate. 3 LIBOR/CD Reference Banks to be appointed. Base Rate - higher of Reference Rate as announced by Administrative Agent or federal funds rate plus .5%. Any change in Base Rate effective on the day change is announced by Administrative Agent.

INTEREST PAYMENT:	Interest on LIBOR Loans, CD Loans and Base Rate Loans (if federal funds rate is effective rate) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Interest on Base Rate Loans (if Reference Rate is effective rate) shall be computed on the basis of a year of 365 or 366 days, as the case may be, and paid for the actual number of days elapsed. Interest accrued on Base Rate Loans shall be paid quarterly. Interest accrued on LIBOR Loans shall be paid on the last day of the Interest Period, on the date of any prepayment or conversion thereof, together with breakage costs, if any, and in the case of a LIBOR Loan with an Interest Period of twelve-months, on the six-month anniversary of the making of the LIBOR Loan. Interest accrued on CD Loans shall be paid on the last day of the Interest Period and on the date of any prepayment or conversion thereof, together with breakage costs, if any. If any CD Loan or portion thereof shall have an Interest Period of less than 30 days, such portion shall bear interest at the Base Rate during such period. Interest obligations accrue from the day funds are received through the day before principal is repaid.
RATE SPREAD:	For Base Rate Loans, Base Rate. For LIBOR Loans, LIBOR plus LIBOR Margin. For CD Loans, Adjusted CD Rate plus CD Margin. LIBOR Margin and CD Margin determined by reference to attached Pricing Schedule. LIBOR Margin and CD Margin will increase if ratings downgraded and decrease if ratings upgraded. Any change in the LIBOR Margin or CD Margin shall become effective for LIBOR Loans or CD Loans, as applicable, the day on which a rating agency shall have announced a ratings change.
POST DEFAULT RATE:	2% per annum above the Base Rate for such date.
BORROWING PROCEDURES - ----------	
MINIMUM DRAW:	$10,000,000 with additional increments of $1,000,000. No per draw limit up to total unused Commitments.
NOTIFICATION/TIMING:	Base Rate: To Administrative Agent, by 11:00 a.m. New York City time on day of draw. LIBOR: To Administrative Agent, by 1:00 p.m. New York City time, 3 business days before draw or, in the case of an Interest Period of twelve-months, by 1:00 p.m. New York City time, 4 business days before draw.

CD Rate: To Administrative Agent, by 1:00 p.m. New York City time, 2 business days before draw.

An officer or a Designated Representative (certain designated employees) to provide notice to Administrative Agent. An officer or Designated Representative may provide telephonic notice, to be followed by appropriately authorized written notice.

FUND DELIVERY: Banks to deliver funds to Administrative Agent by 1:00 p.m. New York City time. Administrative Agent to wire transfer loan principal (U.S. Dollars) in immediately available funds to an account to be designated by Company immediately upon receipt, but not later than 4:00 p.m. New York City time. Administrative Agent may make up a shortfall of funds received. Any Bank not making its pro rata share of any Loan available to Administrative Agent and Company, if it does not repay such share of any Loan, at the required date and time severally agree to repay Administrative Agent such shortfall, with interest (at the federal funds rate). If a Bank fails to fund a Loan, amounts received by Administrative Agent will be deemed to have been paid to Bank and made available to Administrative Agent for the Loan.

CONVERSION/CONTINUATION: Company may (i) convert all or any portion of outstanding Base Rate Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to LIBOR Loans or CD Loans, (ii) convert all or any portion of outstanding LIBOR Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or CD Loans, and (iii) convert all or any portion of outstanding CD Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or LIBOR Loans. Upon the expiration of any Interest Period applicable to a LIBOR Loan or a CD Loan, Company may continue all or any portion of such Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof as LIBOR Loans or CD Loans, as applicable. Written or telephonic notice of such conversion/continuation shall be delivered to Administrative Agent no later than (i) 1:00 p.m. New York City time (a) at least 3 business days in advance of the proposed date of conversion to or continuation of LIBOR Loans or (b) at least 2 business days in advance of the proposed date of conversion to or continuation of CD Loans and (ii) 11:00 a.m. New York City time on the day of the proposed conversion to a Base Rate Loan. Telephonic notice of conversion/continuation to be promptly followed by a written notice thereof. If timely notice of conversion/continuation not provided by Company as to any LIBOR loan or CD Loan and such Loan is not repaid by

Company at the end of the applicable Interest Period thereof, such Loan shall be converted to a Base Rate Loan.

PREPAYMENTS: Base Rate Loans can be repaid in whole or in part on any day without penalty or premium. CD Loans can be repaid with 1 business day's notice. LIBOR Loans can be repaid with 3 business days' notice. Each partial prepayment shall be in an aggregate amount of not less than $10,000,000 and shall include interest accrued on the Loans to the prepayment date and any breakage costs (excluding loss of Margin).

PAYMENTS TO BANKS: All payments by Company to Banks under Loan Agreement are to be in U.S. Dollars, free of taxes, and wire transferred to Administrative Agent in immediately available funds no later than 2:00 p.m. New York City time.

PARTICIPATIONS/ASSIGNMENTS: Assignments may be made to Eligible Institutions with the prior notification to the Administrative Agent and prior written consent of Company, which shall not be unreasonably withheld, in minimum amounts of $15,000,000. Withholding of consent is not unreasonable if based solely on desire to manage loan exposures to proposed assignee or avoid payment of additional increased costs of taxes payable by Company by reason of such assignment. No Company consent required for assignment to an affiliate of a Bank. Each Bank must retain at least $15,000,000 commitment. Participations permitted without consent of Company upon prior written notification to Company (no prior notification required in the case of participations of Money Market Loans). Transferability of voting rights limited to change in principal, rate, fees and term. "Eligible Institution" means any commercial bank having total assets in excess of $3,000,000,000 or the equivalent amount of local currency of such bank or affiliates of such bank that are financial institutions.

CONDITIONS PRECEDENT
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(A) Effectiveness of Loan Agreement: customary for this type of transaction, including:

1) termination of, and payment of amounts due under, existing revolving credit agreements.

2) execution and delivery of:

a) opinion of General Counsel or Assistant General Counsel to Company and opinion of special counsel to company;

b) opinion of Bank counsel;

c) certified copies of charters, bylaws, and corporate action authoring Loan Agreement;

d) note for each Bank, if requested;

e) certificate indicating incumbency and signatures of officers signing Loan Agreement and those officers and employees authorized to give notice of borrowing; and

f) LAC and Wings shall have entered into a merger agreement in form and substance satisfactory to the Banks providing for the acquisition to be effected by a cash tender offer for at least 66% of Wing's common stock and subsequent merger.

(g) terms and conditions of the tender offer shall be in substance as disclosed to the Banks prior to their commitments but shall in all events include that LAC shall own and control the number of shares of Wing's common stock as shall be necessary to approve the merger without the affirmative vote or approval of any other shareholders; the conditions to the consummation of the tender offer shall have been satisfied and shall not have been waived, except for conditions (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and tendered shares shall have been accepted for payment pursuant to the tender offer in accordance with the terms of the tender offer.

(h) evidence satisfaction to the Documentation Agent and Administrative Agent that all other necessary licenses, permits and governmental and third-party filings, consents and approvals for the acquisition and merger have been made or obtained and remain in full force and effect, except for those (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and the tender offer and the financing thereof shall be in compliance with all laws and regulations (including, without limitation, the margin regulations).

(B) All Loans: (i) accuracy of Representations and Warranties, with the exception, for Loans other than the tender offer funding, of the representations concerning litigation, taxes, ERISA, no Material Adverse Effect since date of pro forma financial statements delivered to Banks and environmental matters and (ii) no Event of Default.

REPRESENTATIONS AND WARRANTIES

CORPORATE EXISTENCE & POWER: Company and its Significant Subsidiaries duly organized, validly existing and in good standing in respective state of incorporation and qualified to do business where necessary, except where failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Company has all necessary corporate power to enter into and perform under Loan Agreement and Notes.

"Material Adverse Effect" means a material adverse effect on (a) ability of Company to perform obligations under Agreement or Notes, (b) validity or enforceability of Agreement or Notes, (c) rights and remedies of any Bank or Agents or (d) timely payment of principal of or interest on the Loans or other amounts paid in connection therewith.

"Significant Subsidiary" means a Subsidiary with total assets, net of depreciation and amortization and after intercompany eliminations, in excess of $100,000,000.

"Subsidiary" as defined does not include any Exempt Subsidiary, but otherwise means any entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body.

"Restricted Subsidiary" means any Significant Subsidiary, any Subsidiary that has substantially all of its property located in the United States and that owns a Principal Property and any other Subsidiary designated from time to time by the Company as a "Restricted Subsidiary." Subsidiaries of a Restricted Subsidiary are not Restricted Subsidiaries solely by virtue of such Subsidiary status. If at the end of any fiscal quarter, the aggregate net assets of the Company and all of its Restricted Subsidiaries are less than a specified percentage of the total net assets of the Company and its Subsidiaries taken as a whole, as reported in the Company's financial statements (the "Total Net Assets") , the Company shall designate another Subsidiary or Subsidiaries as Restricted Subsidiaries such that the net assets of such Subsidiary or Subsidiaries that are not encumbered to secure Debt, plus the net assets of the Company and the other Restricted Subsidiaries, equals or exceeds a specified percentage of the Total Net Assets.

Thereafter, the Company may designate a Subsidiary or Subsidiaries (other than a Restricted Subsidiary as defined without regard to any prior such designations by the Company) as no longer a Restricted Subsidiary, provided that the aggregate net assets of the Company and all of its Restricted Subsidiaries after giving effect thereto shall equal or exceed a specified percentage of the Total Net Assets.

"Exempt Subsidiary" means Lockheed Martin Finance Corporation, Martin Marietta Materials, Inc. and any other entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body, the book value, net of depreciation, amortization and intercompany eliminations, of the assets of which, when aggregated with the book values, net of depreciation, amortization and intercompany eliminations, of the assets of any other Exempt Subsidiary other than Lockheed Martin Finance Corporation or Martin Marietta Materials, Inc., do not exceed a specified percentage of the value of total assets of Company and its consolidated subsidiaries, and which are designated as such by Company.

"Principal Property" defined as any manufacturing property with a book value, net of depreciation and amortization, in excess of $5,000,000.

NO CONTRAVENTION: Execution, delivery and performance of Loan Agreement and Notes do not contravene, or constitute a default under, Company's or Guarantors' charter documents or any applicable laws or regulations or any agreements or instruments to which Company is a party which would be reasonably likely to have a Material Adverse Effect.

CORPORATE AUTHORIZATION: Company and Guarantors have taken all corporate action necessary for entering into Loan Agreement and Notes and consummating transaction thereunder; Loan Agreement and Notes are valid, binding and enforceable against Company and Guarantors, subject to bankruptcy and equity exceptions.

FINANCIAL INFORMATION: Pro forma financial statements delivered to Banks fairly present financial position as of date of such financial statements on a pro forma basis consistent with the assumptions stated therein; includes representation that no Material Adverse Effect has occurred since date of such financial statements.

LITIGATION; TAXES: No litigation exists against Company or any Subsidiary, an adverse determination of which is reasonably likely to occur and if so adversely determined would be reasonably likely to have a

	Material Adverse Effect and, at the time of the tender offer closing, there shall be (i) no injunction against consummation of the tender offer, (ii) no litigation pending or threatened which gives rise to a material likelihood that the merger will not be consummated or will be subject to the undue delay and (iii) no litigation pending or threatened, other than that as to which there is not a material likelihood of success, challenging the legality, validity or legal effect of the financing. Company and each Subsidiary have filed all material tax returns and paid all taxes due thereunder when due, except for those not delinquent, those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect and those contested in good faith.
GOVERNMENTAL APPROVALS:	No governmental consents or approvals required in connection with Loan Agreement and Notes, except routine filings under Securities Exchange Act of 1934 and the filing of International Capital Form CQ-1's.
MARGIN REGULATIONS:	No part of proceeds of Loans will be used in violation of Federal Reserve Regulation U, G, T and X.
PARI PASSU OBLIGATIONS:	Claims of other parties to Loan Agreement against Company will not be subordinate to, and will rank at least pari passu with, claims of other unsecured creditors of Company, except as may be provided for under applicable bankruptcy laws.
NO DEFAULTS:	No payment default in respect of Material Debt. "Material Debt" defined as debt of Company and/or one or more of its Subsidiaries exceeding $100,000,000 in an aggregate principal amount.
ERISA:	Company and related ERISA entities (the "ERISA Group") have fulfilled their obligations under minimum funding standards of ERISA and the Internal Revenue Code and are in substantial compliance with all material provisions of ERISA and Internal Revenue Code with respect to each ERISA plan. ERISA Group has not (i) sought a waiver of minimum funding standards, (ii) failed to make a contribution to any plan or made any amendment to any plan which could result in material lien or posting of material bonds or (iii) incurred material liability under Title IV of ERISA (other than for payment of premiums under ERISA).
DISCLOSURE:	Written information provided to the Banks in connection with Loan Agreement, collectively, does not contain any misstatement of a material fact or omit to state a fact necessary to make the statements contained therein, in light of the circumstances under

	which they were made, not misleading in any material respect on and as of the date of Loan Agreement.
ENVIRONMENTAL:	Based upon Company's periodic review of its ongoing operations (and those of its Restricted Subsidiaries), to the best knowledge of Company, ongoing operations at the Principal Properties are currently being conducted in substantial compliance with applicable environmental laws, except to the extent that noncompliance would not be reasonably likely to result in a material adverse change in the consolidated financial conditions of Company and its consolidated subsidiaries.
COVENANTS - ---------	Covenants customary for this type of transaction, including:
ACCOUNTING:	Except as otherwise specified, accounting measurements will be per GAAP as in effect from time to time. Company or Required Banks have ability to request covenant change if change in GAAP affects covenant; effect of change in GAAP then suspended until new covenant negotiated.
INFORMATION/REPORTING/DISTRIBUTION:	60 day delivery for quarterly financial reports and 120 day delivery for annual financial reports; delivery of such statements as filed with the SEC satisfies requirement. Documents distributed to shareholders or filed with the SEC (with certain exceptions) to be distributed to the Banks promptly after becoming available. Company to provide prompt notice of (i) the occurrence of any Default and (ii) certain litigation.
COMPUTATION OF COVENANTS:	Company to provide with each distribution of annual and quarterly financial statements computations of leverage ratio.
MAINTENANCE OF EXISTENCE:	Company and Significant Subsidiaries will preserve and maintain corporate existence. Company may terminate business or corporate existence of a Subsidiary which in Company's judgment is no longer necessary or desirable. Mergers, consolidations and transfers of assets permitted as set forth below. No prohibition on merger of a Subsidiary into Company, or merger or consolidation of a Subsidiary with or into another entity if surviving corporation is a Subsidiary and no Default shall have occurred and be continuing.
MERGERS, CONSOLIDATIONS & SALES OF ASSETS:	Merger, consolidation, transfer or conveyance of substantially all Company's assets prohibited unless resulting corporation is Company or a consolidated subsidiary that is a domestic corporation that expressly assumes payment of indebtedness and performance of covenants under Loan Agreement, no Default shall have occurred and be continuing after giving effect to transaction

	and if Company is not surviving corporation, there has been delivered an Officer's Certificate and legal opinion of its counsel stating that such transaction complies with Loan Agreement. Upon any such transaction, the entity formed by such transaction shall succeed to and be substituted for Company under Loan Agreement. This covenant shall not apply to any sale of Wing's stock, so long as it is margin stock, for value.
LIMITATION ON LIENS:	No liens on assets of the Company or any Restricted Subsidiary to secure Debt allowed except (i) liens existing on the date of Loan Agreement, (ii) liens on property of a corporation existing at the time the corporation is merged or consolidated with Company or a Restricted Subsidiary, (iii) liens securing debt owing to Company or another Restricted Subsidiary, (iv) mechanic's liens, (v) liens on property of a corporation existing at the time the corporation becomes a Restricted Subsidiary, (vi) liens on property at time of acquisition of property and purchase money liens, including liens incurred in connection with industrial revenue bonds, to secure payment of purchase price or indebtedness incurred or guaranteed prior to, at the time of or within one year after acquisition, completion of full operation of property if indebtedness incurred or guaranteed to pay purchase price of property or improvements, (vii) liens in favor of any customer (including any governmental authority) to secure partial, progress, advance or other payments or performance pursuant to any contract or statute or to secure any related indebtedness or to secure Debt guaranteed by a governmental authority, (viii) liens on cash or certificates of deposit or other bank obligations securing indebtedness in aggregate principal amount not in excess of $200,000,000 (which may be in a different currency) of an amount substantially equal in value (at the time the lien is created) to such cash, certificates of deposit or other obligations, (ix) any extension, renewal, replacement of the foregoing, (x) liens equally and ratably severing this credit facility and such Debt and (xi) liens not otherwise referred to securing Debt that does not in the aggregate exceed the greater of 10% of stockholders' equity at the end of the preceding fiscal quarter or $1,000,000,000. Liens described in (ii), (v) and (vi) shall not include any liens on stock or assets of "Wings" or its subsidiaries incurred in contemplation of the merger. This covenant shall not apply to margin stock in excess of 25% in value of the assets covered by this covenant.
PAYMENT OF OBLIGATIONS:	Company and each Significant Subsidiary will pay all material taxes, assessments, and governmental charges imposed upon it and all lawful material claims prior to date any penalty accrues or lien imposed except for (i) those contested in good faith, (ii) those not delinquent and (iii) those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect.

COMPLIANCE WITH LAWS:	Company and each Significant Subsidiary shall comply with all laws, a breach of which would be reasonably likely to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.
INSURANCE:	Company and each Significant Subsidiary will maintain insurance as is customarily carried by owners of similar businesses and properties (or to the customary extent, self-insurance).
MAINTENANCE OF PROPERTIES:	Company and its Significant Subsidiaries will keep all properties necessary in its business in good working order, normal wear and tear excepted; Company or any Subsidiary may discontinue operation and/or maintenance of such properties if discontinuance is in Company's (or such Subsidiary's) judgment desirable.
LEVERAGE RATIO:	Ratio of Debt (as defined) as of the last day of any fiscal quarter to the sum of (i) Debt (as defined) and (ii) Stockholders' Equity (as defined) at levels to be determined.
STOCKHOLDERS' EQUITY AS DEFINED:	Consolidated Stockholders' Equity of Company and consolidated Subsidiaries as reported.
DEBT AS DEFINED:	Debt shall mean, without duplication:
	(i) all debt, including ESOP guarantees and capitalized lease obligations, reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries, plus
	(ii) all indebtedness for borrowed money and capitalized lease obligations incurred by third parties guaranteed by Company and its consolidated Subsidiaries not otherwise reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries.
USE OF LOANS:	Proceeds of the Loans may be used for any lawful corporate purpose.
WAIVERS:	Required Banks may waive compliance with any covenant (other than certain provisions relating to principal payments, fees, interest rate, due dates and guarantees, which require consent of all Banks).
EVENTS OF DEFAULT	
PRINCIPAL PAYMENTS:	Failure to pay when due.

INTEREST AND FACILITY FEE PAYMENTS:	Failure to pay within 5 days of due date.
OTHER FEES:	Failure to pay within 30 days after written request for payment thereof.
BREACH OF CERTAIN COVENANTS:	Failure to perform under the following covenants: 1) Merger/Consolidation Restrictions 2) Limitations on Liens 3) Leverage Ratio
BREACH OF OTHER COVENANTS:	Failure to perform within 30 days after written notice.
REPRESENTATIONS:	5 days to correct after written notice.
ACCELERATION OF DEBT:	Any Material Debt shall be accelerated by reasons of default thereunder or not paid when due and corrective action shall not have been taken within 5 days after written notice thereof.
BANKRUPTCY:	Company or any Significant Subsidiary shall commence voluntary proceeding under bankruptcy laws, or seek appointment of receiver or trustee, or shall consent to any of the foregoing; or makes a general assignment for benefit of creditors; or fails generally to pay its debts as they become due; or takes any corporate action to authorize the foregoing. Involuntary case or proceeding commenced against Company or any Significant Subsidiary seeking relief under bankruptcy laws or seeking appointment of trustee or receiver, and such proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against Company or any Significant Subsidiary under federal bankruptcy laws.
FINAL JUDGMENTS:	Final judgment requiring payment of $150,000,000 or more that has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.
ERISA:	A final judgment either (1) requiring termination or imposing liability under Title IV of ERISA (other than for premiums) in respect of, or requiring a trustee to be appointed pursuant to Title IV of ERISA to administer, any plan or plans having unfunded liabilities in excess of $150,000,000 or (2) in an action relating to a Multiemployer Plan involving a current payment obligation in excess of $150,000,000, which judgment in either case has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.

CHANGE IN OWNERSHIP OF STOCK:	Any person or group of persons (other than employee benefit or stock ownership plan of Company) has acquired shares of capital stock having ordinary voting power to elect a majority of the Board of Directors of Company or change in majority of Board of Directors within a two-year period.
GUARANTY INVALIDATED:	Revocation or invalidation of guaranty of the Loan Agreement and the Notes.
REMEDIES:	Commitments terminate and loan/interest become due and payable upon the receipt of notice from Documentation Agent (automatic in case of bankruptcy).
NOTICES OF DEFAULT:	All notices or requests specified in Events of Default provisions to be given by Documentation Agent at the request of the Required Banks.

MISCELLANEOUS
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GOVERNING LAW/SUBMISSION TO JURISDICTION:	New York law governs. Parties submit to the jurisdiction of New York courts for all legal proceedings and waive any objection to the laying of venue of any such proceeding brought in such a court and claim of inconvenient forum.
WAIVER OF JURY TRIAL:	Company, Agents and Banks each waive rights to trial by jury.
REQUIRED BANKS:	Banks holding in excess of 50% of outstanding Commitments.
INCREASED COSTS/CAPITAL ADEQUACY/ ILLEGALITY:	Increased cost/capital adequacy/ illegality provisions to be included and will generally provide that no increased cost or capital adequacy payment may be claimed if allocable to periods prior to 30 days prior to date Company is notified of claim by a Bank; no compensation for increases in capital not occasioned by a Change in Law or beyond that required by a Change in Law. Any Bank requesting additional compensation shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation or permit the Bank to make or maintain any LIBOR Loan, so long as such designation is not disadvantageous to such Bank. Any Regulation D charges shall be billed through Administrative Agent. "Change in Law" as defined is the adoption of any law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof, after Closing Date, by any governmental authority, central bank or comparable agency or

	compliance with any directive (whether or not having the force of law) of any such entity.
INDEMNITY:	Company to indemnify Banks for (i) funding costs and/or losses (excluding loss of margin) if prepayment or conversion of a LIBOR Loan or a CD Loan occurs prior to the end of an Interest Period or if Company fails to consummate a LIBOR Loan or a CD Loan because conditions precedent to borrowing or conversion not satisfied and (ii) reasonable costs and expenses of litigation in response to or in defense of any proceeding brought or threatened against a Bank relating to the Agreement or Company's use of proceeds of the Loans.
EXPENSES:	In connection with preparing Loan Agreement, Company will pay reasonable fees and disbursements of special counsel to Agents and reasonable out-of-pocket expenses incurred by Agents. In connection with an Event of Default and enforcement proceedings, Company will pay reasonable out-of-pocket expenses of Agents and Banks, including reasonable fees and expenses of counsel (including in-house counsel).
DOCUMENT PREPARATION:	Loan Agreement to be prepared by Davis Polk & Wardwell.

LOCKHEED MARTIN CORPORATION
PRICING SCHEDULE
FIVE YEAR REVOLVER

The LIBOR Margin, the CD Margin and the Facility Fee shall be as specified below (in basis points per annum).

		LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V	LEVEL VI
BASIS FOR PRICING		If Company is rated A or better by S&P or A2 or better by Moody's	If Company is rated A- or better by S&P or A3 or better by Moody's	If Company is rated BBB+ or better by S&P or Baa1 or better by Moody's	If Company is rated BBB or better by S&P or Baa2 or better by Moody's	If Company is rated BBB- by S&P and Baa3 by Moody's	If Company is rated lower than BBB- by S&P or Baa3 by Moody's or is unrated and no other level applies
FACILITY FEE		8.00	10.00	11.00	13.75	17.50	25.00
LIBOR +	Greater than 50%	14.50	15.00	19.00	21.25	32.50	50.00
	Less than 50%	14.50	15.00	24.00	26.25	37.50	50.00
CD +	Greater than 50%	27.00	27.50	31.50	33.75	45.00	62.50
	Less than 50%	27.00	27.50	36.50	38.75	50.00	62.50
UNUSED COST		8.00	10.00	11.00	13.75	17.50	25.00
USED COST	Greater than 50%	22.50	25.00	30.00	35.00	50.00	75.00
	Less than 50%	22.50	25.00	35.00	40.00	55.00	75.00

[BANK OF AMERICA LOGO]

January 5, 1996

Mr. Walter E. Skowronski
Vice President and Treasurer
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817

Dear Walt:

You have advised us that Lockheed Martin Corporation ("LMC" or the "Company") proposes to raise up to $10,000,000,000 in new senior bank financing for the purchase of the common stock of "Wings." It is also our understanding that the Company's current revolving credit facility will be canceled and replaced with the bank financing referred to above. In connection with this transaction, Bank of America National Trust and Savings Association ("Bank of America") is pleased to propose (i) a $5,000,000,000 364-day revolving credit facility and (ii) a $5,000,000,000 5-year revolving credit facility (collectively the "Credit Facilities") under the terms and conditions described in the attached Summary of Terms and Conditions (the "Term Sheet") for the Credit Facilities.

Bank of America hereby commits to provide an aggregate commitment of up to $1,375,000,000 subject to (i) acceptance by you as set forth in the last paragraph of this letter by 5:00 p.m. (E.S.T.) on January 9, 1996, (ii) acceptance by you of a commitment for $1,375,000,000 to the Credit Facilities from Morgan Guaranty Trust Company of New York ("Morgan") on the same terms and conditions and (iii) negotiation, execution and delivery of mutually acceptable definitive loan documentation (to be prepared by Morgan's counsel, Davis Polk & Wardwell) on or before April 30, 1996 or May 31, 1996 if Bank of America's commitment is extended pursuant to the next sentence. In addition, Bank of America's commitment will expire if your tender offer for the common stock of "Wings" does not close on or before April 30, 1996, unless such failure is due solely to the failure to have obtained any clearance which may be necessary under the Hart-Scott-Rodino Act, in which case such expiration date shall be extended to May 31, 1996.

It is BA Securities, Inc.'s ("BASI") intention to syndicate the Credit Facilities with J.P. Morgan Securities, Inc. ("JPMSI") to a group of lenders acceptable to Bank of America, Morgan and LMC (Bank of America and such other lenders herein being called the "Banks"). LMC agrees to provide such assistance in the syndication effort as may be reasonably requested, including making members of management of the Company and its subsidiaries available to meet with prospective syndicate members, and assisting BASI and JPMSI in the preparation of a financing memorandum. It is our further expectation that no fewer than 45 banks will be invited to participate in the general syndication of these facilities.

and that the general syndication will be launched in approximately two weeks from the date of your acceptance.

By signing below LMC acknowledges its obligation to pay Bank of America and BASI the fees as set forth in the Fee Letter dated January 5, 1996 among the Company, Bank of America and BASI.

In addition, by signing below, LMC agrees to indemnify and defend Bank of America and BASI and each other Bank and their respective directors, officers, agents, employees and affiliates from, and hold each of them harmless against, any and all losses, liabilities, claims, damages or reasonable expenses incurred by any of them arising out of or by reason of any investigation, litigation or other proceeding brought or threatened relating to any loan made or proposed to be made by LMC or any of its affiliates in connection with the matters herein referred to (including, but without limitation, any use made or proposed to be made by LMC or any of its affiliates of the proceeds of such loans, but excluding any such losses, liabilities, claims, damages or expenses relating to the relationships of, between or among each of, or any of, the Banks, the Co-Arranger(s) (as defined in the Term Sheet) and any assignees or participants thereof after the loan agreements have been executed by all parties thereto and excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the indemnitee), including, without limitation, amounts paid in settlement (approved in writing by LMC), court costs, and reasonable fees and disbursements of counsel incurred in connection with any such pending or threatened investigation, litigation or other proceeding.

If you accept and agree to this proposal, lease so indicate by signing in the space provided below and returning a copy of this letter to us. This offer will expire at 5:00 p.m. (E.S.T.) on January 9, 1996 if this letter and the Fee Letters have not been accepted by you that time.

Very truly yours,

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

By: /s/ Lori Y. Kannegieter

Name: Lori Y. Kannegieter
Title: Vice President

BA SECURITIES, INC.

By: /s/ Keith S. Barnish

Name: Keith S. Barnish
Title: Senior Managing Director

ACCEPTED AND AGREED TO
this 7th day of January, 1996:

LOCKHEED MARTIN CORPORATION

By: /s/ Walter E. Skowronski

Name: Walter E. Skowronski
Title: Vice President and Treasurer

SUMMARY OF TERMS AND CONDITIONS
FOR LOCKHEED MARTIN CORPORATION

BORROWER:	Lockheed Martin Corporation ("Company"), directly or indirectly through LAC Acquisition Corp.
AMOUNT:	$5,000,000,000.
PURPOSE:	The purchase of the common stock of "Wings" and general corporate purposes including commercial paper backup.
ARRANGER AND SYNDICATION AGENT:	J.P. Morgan Securities Inc.
CO-ARRANGER:	BA Securities, Inc.
MANAGING AGENTS:	Citibank, N.A.
DOCUMENTATION AGENT:	Morgan Guaranty Trust Company of New York.
ADMINISTRATIVE AGENT:	Bank of America National Trust and Savings Association.
FACILITY DESCRIPTION:	364-day facility on a fully revolving basis.
BORROWING OPTIONS:	Committed Loans consisting of Base Rate Loans, CD Loans and LIBOR Loans. Uncommitted Money Market bid rate options ("Money Market Loans").
LENDERS:	Syndicate of lenders acceptable to Company and Arranger ("Banks").
TIMING:	Closing to occur by May 1996.
GUARANTORS:	Lockheed Corporation, Martin Marietta Corporation, Martin Marietta Technologies, Inc., LAC Acquisition Corporation or the Company if LAC Acquisition Corp. is the Borrower.
COMMITMENTS AND FEES: - ----------	
COMMITMENT:	With respect to Committed Loans, each Bank will fund each draw in proportion to its Commitment. With respect to Money Market Loans, each Bank may, but shall have no obligation to, make offers to make such Loans pursuant to requests submitted by Company. Drawdown of Money

	Market Loans will be deemed a use of Commitments of all Banks on pro rata basis.
REDUCTION OR CANCELLATION OF COMMITMENTS:	Commitments cancelable in whole or in part (ratably reduced in amounts of at least $25,000,000 and multiples of $5,000,000 in excess thereof) at election of Company upon not less than three business days' notice.
TERMINATION OF BANKS/REPLACING BANKS:	Company may terminate the entire Commitment of any Bank upon 10 business days' notice if a Bank demands increased costs or capital adequacy payments from Company or if the commitment of a Bank to make LIBOR Loans is suspended due to its inability to make such Loans. Company may replace such Bank with a new or existing Bank.
FACILITY FEE:	To be paid quarterly in arrears on the daily average of the total Commitments at a rate determined by reference to attached Pricing Schedule. Facility Fee will increase if ratings downgraded and decrease if ratings upgraded. Facility Fee computed on the basis of a year of 365 or 366 days over the actual number of days elapsed. Any change in Facility Fee shall become effective the day on which a rating agency shall have announced a ratings change.
INTEREST RATES - ----------	
INTEREST RATE OPTIONS:	LIBOR, CD Rate or Base Rate at the election of Company.
LIBOR INTEREST PERIOD OPTIONS:	One, two, three or six months, as selected by Company. Twelve-month LIBOR option available upon request of Company and consent of all Banks.
CD RATE INTEREST PERIOD OPTIONS:	30, 60, 90 or 180 days, as selected by Company.
RATE BASIS:	LIBOR CD Rate - Adjusted CD Rate. 3 LIBOR/CD Reference Banks to be appointed. Base Rate - higher of Reference Rate as announced by Administrative Agent or federal funds rate plus .5%. Any change in Base Rate effective on the day change is announced by Administrative Agent.

INTEREST PAYMENT:	Interest on LIBOR Loans, CD Loans and Base Rate Loans (if federal funds rate is effective rate) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Interest on Base Rate Loans (if Reference Rate is effective rate) shall be computed on the basis of a year of 365 or 366 days, as the case may be, and paid for the actual number of days elapsed. Interest accrued on Base Rate Loans shall be paid quarterly. Interest accrued on LIBOR Loans shall be paid on the last day of the Interest Period, on the date of any prepayment or conversion thereof, together with breakage costs, if any, and in the case of a LIBOR Loan with an Interest Period of twelve-months, on the six-month anniversary of the making of the LIBOR Loan. Interest accrued on CD Loans shall be paid on the last day of the Interest Period and on the date of any prepayment or conversion thereof, together with breakage costs, if any. If any CD Loan or portion thereof shall have an Interest Period of less than 30 days, such portion shall bear interest at the Base Rate during such period. Interest obligations accrue from the day funds are received through the day before principal is repaid.
RATE SPREAD:	For Base Rate Loans, Base Rate. For LIBOR Loans, LIBOR plus LIBOR Margin. For CD Loans, Adjusted CD Rate plus CD Margin. LIBOR Margin and CD Margin determined by reference to attached Pricing Schedule. LIBOR Margin and CD Margin will increase if ratings downgraded and decrease if ratings upgraded. Any change in the LIBOR Margin or CD Margin shall become effective for LIBOR Loans or CD Loans, as applicable, the day on which a rating agency shall have announced a ratings change.
POST DEFAULT RATE:	2% per annum above the Base Rate for such date.
BORROWING PROCEDURES - ----------	
MINIMUM DRAW:	$10,000,000 with additional increments of $1,000,000. No per draw limit up to total unused Commitments.
NOTIFICATION/TIMING:	Base Rate: To Administrative Agent, by 11:00 a.m. New York City time on day of draw. LIBOR: To Administrative Agent, by 1:00 p.m. New York City time, 3 business days before draw or, in the case of an Interest Period of twelve-months, by 1:00 p.m. New York City time, 4 business days before draw.

CD Rate: To Administrative Agent, by 1:00 p.m. New York City time, 2 business days before draw.

An officer or a Designated Representative (certain designated employees) to provide notice to Administrative Agent. An officer or Designated Representative may provide telephonic notice, to be followed by appropriately authorized written notice.

FUND DELIVERY: Banks to deliver funds to Administrative Agent by 1:00 p.m. New York City time. Administrative Agent to wire transfer loan principal (U.S. Dollars) in immediately available funds to an account to be designated by Company immediately upon receipt, but not later than 4:00 p.m. New York City time. Administrative Agent may make up a shortfall of funds received. Any Bank not making its pro rata share of any Loan available to Administrative Agent and Company, if it does not repay such share of any Loan, at the required date and time severally agree to repay Administrative Agent such shortfall, with interest (at the federal funds rate). If a Bank fails to fund a Loan, amounts received by Administrative Agent will be deemed to have been paid to Bank and made available to Administrative Agent for the Loan.

CONVERSION/CONTINUATION: Company may (i) convert all or any portion of outstanding Base Rate Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to LIBOR Loans or CD Loans, (ii) convert all or any portion of outstanding LIBOR Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or CD Loans, and (iii) convert all or any portion of outstanding CD Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or LIBOR Loans. Upon the expiration of any Interest Period applicable to a LIBOR Loan or a CD Loan, Company may continue all or any portion of such Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof as LIBOR Loans or CD Loans, as applicable. Written or telephonic notice of such conversion/continuation shall be delivered to Administrative Agent no later than (i) 1:00 p.m. New York City time (a) at least 3 business days in advance of the proposed date of conversion to or continuation of LIBOR Loans or (b) at least 2 business days in advance of the proposed date of conversion to or continuation of CD Loans and (ii) 11:00 a.m. New York City time on the day of the proposed conversion to a Base Rate Loan. Telephonic notice of conversion/continuation to be promptly followed by a written notice thereof. If timely notice of conversion/continuation not provided by Company as to any LIBOR loan or CD Loan and such Loan is not repaid by

Company at the end of the applicable Interest Period thereof, such Loan shall be converted to a Base Rate Loan.

PREPAYMENTS: Base Rate Loans can be repaid in whole or in part on any day without penalty or premium. CD Loans can be repaid with 1 business day's notice. LIBOR Loans can be repaid with 3 business days' notice. Each partial prepayment shall be in an aggregate amount of not less than $10,000,000 and shall include interest accrued on the Loans to the prepayment date and any breakage costs (excluding loss of Margin).

PAYMENTS TO BANKS: All payments by Company to Banks under Loan Agreement are to be in U.S. Dollars, free of taxes, and wire transferred to Administrative Agent in immediately available funds no later than 2:00 p.m. New York City time.

PARTICIPATIONS/ASSIGNMENTS: Assignments may be made to Eligible Institutions with the prior notification to the Administrative Agent and prior written consent of Company, which shall not be unreasonably withheld, in minimum amounts of $15,000,000. Withholding of consent is not unreasonable if based solely on desire to manage loan exposures to proposed assignee or avoid payment of additional increased costs of taxes payable by Company by reason of such assignment. No Company consent required for assignment to an affiliate of a Bank. Each Bank must retain at least $15,000,000 commitment. Participations permitted without consent of Company upon prior written notification to Company (no prior notification required in the case of participations of Money Market Loans). Transferability of voting rights limited to change in principal, rate, fees and term. "Eligible Institution" means any commercial bank having total assets in excess of $3,000,000,000 or the equivalent amount of local currency of such bank or affiliates of such bank that are financial institutions.

CONDITIONS PRECEDENT
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(A) Effectiveness of Loan Agreement: customary for this type of transaction, including:

1) termination of, and payment of amounts due under, existing revolving credit agreements.

2) execution and delivery of:

a) opinion of General Counsel or Assistant General Counsel to Company and opinion of special counsel to company;

b) opinion of Bank counsel;

c) certified copies of charters, bylaws, and corporate action authoring Loan Agreement;

d) note for each Bank, if requested;

e) certificate indicating incumbency and signatures of officers signing Loan Agreement and those officers and employees authorized to give notice of borrowing; and

f) LAC and Wings shall have entered into a merger agreement in form and substance satisfactory to the Banks providing for the acquisition to be effected by a cash tender offer for at least 66% of Wing's common stock and subsequent merger.

(g) terms and conditions of the tender offer shall be in substance as disclosed to the Banks prior to their commitments but shall in all events include that LAC shall own and control the number of shares of Wing's common stock as shall be necessary to approve the merger without the affirmative vote or approval of any other shareholders; the conditions to the consummation of the tender offer shall have been satisfied and shall not have been waived, except for conditions (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and tendered shares shall have been accepted for payment pursuant to the tender offer in accordance with the terms of the tender offer.

(h) evidence satisfaction to the Documentation Agent and Administrative Agent that all other necessary licenses, permits and governmental and third-party filings, consents and approvals for the acquisition and merger have been made or obtained and remain in full force and effect, except for those (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and the tender offer and the financing thereof shall be in compliance with all laws and regulations (including, without limitation, the margin regulations).

(B) All Loans: (i) accuracy of Representations and Warranties, with the exception, for Loans other than the tender offer funding, of the representations concerning litigation, taxes, ERISA, no Material Adverse Effect since date of pro forma financial statements delivered to Banks and environmental matters and (ii) no Event of Default.

REPRESENTATIONS AND WARRANTIES

CORPORATE EXISTENCE & POWER: Company and its Significant Subsidiaries duly organized, validly existing and in good standing in respective state of incorporation and qualified to do business where necessary, except where failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Company has all necessary corporate power to enter into and perform under Loan Agreement and Notes.

"Material Adverse Effect" means a material adverse effect on (a) ability of Company to perform obligations under Agreement or Notes, (b) validity or enforceability of Agreement or Notes, (c) rights and remedies of any Bank or Agents or (d) timely payment of principal of or interest on the Loans or other amounts paid in connection therewith.

"Significant Subsidiary" means a Subsidiary with total assets, net of depreciation and amortization and after intercompany eliminations, in excess of $100,000,000.

"Subsidiary" as defined does not include any Exempt Subsidiary, but otherwise means any entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body.

"Restricted Subsidiary" means any Significant Subsidiary, any Subsidiary that has substantially all of its property located in the United States and that owns a Principal Property and any other Subsidiary designated from time to time by the Company as a "Restricted Subsidiary." Subsidiaries of a Restricted Subsidiary are not Restricted Subsidiaries solely by virtue of such Subsidiary status. If at the end of any fiscal quarter, the aggregate net assets of the Company and all of its Restricted Subsidiaries are less than a specified percentage of the total net assets of the Company and its Subsidiaries taken as a whole, as reported in the Company's financial statements (the "Total Net Assets") , the Company shall designate another Subsidiary or Subsidiaries as Restricted Subsidiaries such that the net assets of such Subsidiary or Subsidiaries that are not encumbered to secure Debt, plus the net assets of the Company and the other Restricted Subsidiaries, equals or exceeds a specified percentage of the Total Net Assets.

Thereafter, the Company may designate a Subsidiary or Subsidiaries (other than a Restricted Subsidiary as defined without regard to any prior such designations by the Company) as no longer a Restricted Subsidiary, provided that the aggregate net assets of the Company and all of its Restricted Subsidiaries after giving effect thereto shall equal or exceed a specified percentage of the Total Net Assets.

"Exempt Subsidiary" means Lockheed Martin Finance Corporation, Martin Marietta Materials, Inc. and any other entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body, the book value, net of depreciation, amortization and intercompany eliminations, of the assets of which, when aggregated with the book values, net of depreciation, amortization and intercompany eliminations, of the assets of any other Exempt Subsidiary other than Lockheed Martin Finance Corporation or Martin Marietta Materials, Inc., do not exceed a specified percentage of the value of total assets of Company and its consolidated subsidiaries, and which are designated as such by Company.

"Principal Property" defined as any manufacturing property with a book value, net of depreciation and amortization, in excess of $5,000,000 .

NO CONTRAVENTION: Execution, delivery and performance of Loan Agreement and Notes do not contravene, or constitute a default under, Company's or Guarantors' charter documents or any applicable laws or regulations or any agreements or instruments to which Company is a party which would be reasonably likely to have a Material Adverse Effect.

CORPORATE AUTHORIZATION: Company and Guarantors have taken all corporate action necessary for entering into Loan Agreement and Notes and consummating transaction thereunder; Loan Agreement and Notes are valid, binding and enforceable against Company and Guarantors, subject to bankruptcy and equity exceptions.

FINANCIAL INFORMATION: Pro forma financial statements delivered to Banks fairly present financial position as of date of such financial statements on a pro forma basis consistent with the assumptions stated therein; includes representation that no Material Adverse Effect has occurred since date of such financial statements.

LITIGATION; TAXES: No litigation exists against Company or any Subsidiary, an adverse determination of which is reasonably likely to occur and if so adversely determined would be reasonably likely to have a

	Material Adverse Effect and, at the time of the tender offer closing, there shall be (i) no injunction against consummation of the tender offer, (ii) no litigation pending or threatened which gives rise to a material likelihood that the merger will not be consummated or will be subject to the undue delay and (iii) no litigation pending or threatened, other than that as to which there is not a material likelihood of success, challenging the legality, validity or legal effect of the financing. Company and each Subsidiary have filed all material tax returns and paid all taxes due thereunder when due, except for those not delinquent, those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect and those contested in good faith.
GOVERNMENTAL APPROVALS:	No governmental consents or approvals required in connection with Loan Agreement and Notes, except routine filings under Securities Exchange Act of 1934 and the filing of International Capital Form CQ-1's.
MARGIN REGULATIONS:	No part of proceeds of Loans will be used in violation of Federal Reserve Regulation U, G, T and X.
PARI PASSU OBLIGATIONS:	Claims of other parties to Loan Agreement against Company will not be subordinate to, and will rank at least pari passu with, claims of other unsecured creditors of Company, except as may be provided for under applicable bankruptcy laws.
NO DEFAULTS:	No payment default in respect of Material Debt. "Material Debt" defined as debt of Company and/or one or more of its Subsidiaries exceeding $100,000,000 in an aggregate principal amount.
ERISA:	Company and related ERISA entities (the "ERISA Group") have fulfilled their obligations under minimum funding standards of ERISA and the Internal Revenue Code and are in substantial compliance with all material provisions of ERISA and Internal Revenue Code with respect to each ERISA plan. ERISA Group has not (i) sought a waiver of minimum funding standards, (ii) failed to make a contribution to any plan or made any amendment to any plan which could result in material lien or posting of material bonds or (iii) incurred material liability under Title IV of ERISA (other than for payment of premiums under ERISA).
DISCLOSURE:	Written information provided to the Banks in connection with Loan Agreement, collectively, does not contain any misstatement of a material fact or omit to state a fact necessary to make the statements contained therein, in light of the circumstances under

	which they were made, not misleading in any material respect on and as of the date of Loan Agreement.
ENVIRONMENTAL:	Based upon Company's periodic review of its ongoing operations (and those of its Restricted Subsidiaries), to the best knowledge of Company, ongoing operations at the Principal Properties are currently being conducted in substantial compliance with applicable environmental laws, except to the extent that noncompliance would not be reasonably likely to result in a material adverse change in the consolidated financial conditions of Company and its consolidated subsidiaries.
COVENANTS - ---------	Covenants customary for this type of transaction, including:
ACCOUNTING:	Except as otherwise specified, accounting measurements will be per GAAP as in effect from time to time. Company or Required Banks have ability to request covenant change if change in GAAP affects covenant; effect of change in GAAP then suspended until new covenant negotiated.
INFORMATION/REPORTING/DISTRIBUTION:	60 day delivery for quarterly financial reports and 120 day delivery for annual financial reports; delivery of such statements as filed with the SEC satisfies requirement. Documents distributed to shareholders or filed with the SEC (with certain exceptions) to be distributed to the Banks promptly after becoming available. Company to provide prompt notice of (i) the occurrence of any Default and (ii) certain litigation.
COMPUTATION OF COVENANTS:	Company to provide with each distribution of annual and quarterly financial statements computations of leverage ratio.
MAINTENANCE OF EXISTENCE:	Company and Significant Subsidiaries will preserve and maintain corporate existence. Company may terminate business or corporate existence of a Subsidiary which in Company's judgment is no longer necessary or desirable. Mergers, consolidations and transfers of assets permitted as set forth below. No prohibition on merger of a Subsidiary into Company, or merger or consolidation of a Subsidiary with or into another entity if surviving corporation is a Subsidiary and no Default shall have occurred and be continuing.
MERGERS, CONSOLIDATIONS & SALES OF ASSETS:	Merger, consolidation, transfer or conveyance of substantially all Company's assets prohibited unless resulting corporation is Company or a consolidated subsidiary that is a domestic corporation that expressly assumes payment of indebtedness and performance of covenants under Loan Agreement, no Default shall have occurred and be continuing after giving effect to transaction

	and if Company is not surviving corporation, there has been delivered an Officer's Certificate and legal opinion of its counsel stating that such transaction complies with Loan Agreement. Upon any such transaction, the entity formed by such transaction shall succeed to and be substituted for Company under Loan Agreement. This covenant shall not apply to any sale of Wing's stock, so long as it is margin stock, for value.
LIMITATION ON LIENS:	No liens on assets of the Company or any Restricted Subsidiary to secure Debt allowed except (i) liens existing on the date of Loan Agreement, (ii) liens on property of a corporation existing at the time the corporation is merged or consolidated with Company or a Restricted Subsidiary, (iii) liens securing debt owing to Company or another Restricted Subsidiary, (iv) mechanic's liens, (v) liens on property of a corporation existing at the time the corporation becomes a Restricted Subsidiary, (vi) liens on property at time of acquisition of property and purchase money liens, including liens incurred in connection with industrial revenue bonds, to secure payment of purchase price or indebtedness incurred or guaranteed prior to, at the time of or within one year after acquisition, completion of full operation of property if indebtedness incurred or guaranteed to pay purchase price of property or improvements, (vii) liens in favor of any customer (including any governmental authority) to secure partial, progress, advance or other payments or performance pursuant to any contract or statute or to secure any related indebtedness or to secure Debt guaranteed by a governmental authority, (viii) liens on cash or certificates of deposit or other bank obligations securing indebtedness in aggregate principal amount not in excess of $200,000,000 (which may be in a different currency) of an amount substantially equal in value (at the time the lien is created) to such cash, certificates of deposit or other obligations, (ix) any extension, renewal, replacement of the foregoing, (x) liens equally and ratably severing this credit facility and such Debt and (xi) liens not otherwise referred to securing Debt that does not in the aggregate exceed the greater of 10% of stockholders' equity at the end of the preceding fiscal quarter or $1,000,000,000. Liens described in (ii), (v) and (vi) shall not include any liens on stock or assets of "Wings" or its subsidiaries incurred in contemplation of the merger. This covenant shall not apply to margin stock in excess of 25% in value of the assets covered by this covenant.
PAYMENT OF OBLIGATIONS:	Company and each Significant Subsidiary will pay all material taxes, assessments, and governmental charges imposed upon it and all lawful material claims prior to date any penalty accrues or lien imposed except for (i) those contested in good faith, (ii) those not delinquent and (iii) those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect.

COMPLIANCE WITH LAWS:	Company and each Significant Subsidiary shall comply with all laws, a breach of which would be reasonably likely to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.
INSURANCE:	Company and each Significant Subsidiary will maintain insurance as is customarily carried by owners of similar businesses and properties (or to the customary extent, self-insurance).
MAINTENANCE OF PROPERTIES:	Company and its Significant Subsidiaries will keep all properties necessary in its business in good working order, normal wear and tear excepted; Company or any Subsidiary may discontinue operation and/or maintenance of such properties if discontinuance is in Company's (or such Subsidiary's) judgment desirable.
LEVERAGE RATIO:	Ratio of Debt (as defined) as of the last day of any fiscal quarter to the sum of (i) Debt (as defined) and (ii) Stockholders' Equity (as defined) at levels to be determined.
STOCKHOLDERS' EQUITY AS DEFINED:	Consolidated Stockholders' Equity of Company and consolidated Subsidiaries as reported.
DEBT AS DEFINED:	Debt shall mean, without duplication: (i) all debt, including ESOP guarantees and capitalized lease obligations, reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries, plus ---- (ii) all indebtedness for borrowed money and capitalized lease obligations incurred by third parties guaranteed by Company and its consolidated Subsidiaries not otherwise reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries.
USE OF LOANS:	Proceeds of the Loans may be used for any lawful corporate purpose.
WAIVERS:	Required Banks may waive compliance with any covenant (other than certain provisions relating to principal payments, fees, interest rate, due dates and guarantees, which require consent of all Banks).

EVENTS OF DEFAULT
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PRINCIPAL PAYMENTS:	Failure to pay when due.

INTEREST AND FACILITY FEE PAYMENTS:	Failure to pay within 5 days of due date.
OTHER FEES:	Failure to pay within 30 days after written request for payment thereof.
BREACH OF CERTAIN COVENANTS:	Failure to perform under the following covenants: 1) Merger/Consolidation Restrictions 2) Limitations on Liens 3) Leverage Ratio
BREACH OF OTHER COVENANTS:	Failure to perform within 30 days after written notice.
REPRESENTATIONS:	5 days to correct after written notice.
ACCELERATION OF DEBT:	Any Material Debt shall be accelerated by reasons of default thereunder or not paid when due and corrective action shall not have been taken within 5 days after written notice thereof.
BANKRUPTCY:	Company or any Significant Subsidiary shall commence voluntary proceeding under bankruptcy laws, or seek appointment of receiver or trustee, or shall consent to any of the foregoing; or makes a general assignment for benefit of creditors; or fails generally to pay its debts as they become due; or takes any corporate action to authorize the foregoing. Involuntary case or proceeding commenced against Company or any Significant Subsidiary seeking relief under bankruptcy laws or seeking appointment of trustee or receiver, and such proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against Company or any Significant Subsidiary under federal bankruptcy laws.
FINAL JUDGMENTS:	Final judgment requiring payment of $150,000,000 or more that has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.
ERISA:	A final judgment either (1) requiring termination or imposing liability under Title IV of ERISA (other than for premiums) in respect of, or requiring a trustee to be appointed pursuant to Title IV of ERISA to administer, any plan or plans having unfunded liabilities in excess of $150,000,000 or (2) in an action relating to a Multiemployer Plan involving a current payment obligation in excess of $150,000,000, which judgment in either case has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.

CHANGE IN OWNERSHIP OF STOCK:	Any person or group of persons (other than employee benefit or stock ownership plan of Company) has acquired shares of capital stock having ordinary voting power to elect a majority of the Board of Directors of Company or change in majority of Board of Directors within a two-year period.
GUARANTY INVALIDATED:	Revocation or invalidation of guaranty of the Loan Agreement and the Notes.
REMEDIES:	Commitments terminate and loan/interest become due and payable upon the receipt of notice from Documentation Agent (automatic in case of bankruptcy).
NOTICES OF DEFAULT:	All notices or requests specified in Events of Default provisions to be given by Documentation Agent at the request of the Required Banks.

MISCELLANEOUS
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GOVERNING LAW/SUBMISSION TO JURISDICTION:	New York law governs. Parties submit to the jurisdiction of New York courts for all legal proceedings and waive any objection to the laying of venue of any such proceeding brought in such a court and claim of inconvenient forum.
WAIVER OF JURY TRIAL:	Company, Agents and Banks each waive rights to trial by jury.
REQUIRED BANKS:	Banks holding in excess of 50% of outstanding Commitments.
INCREASED COSTS/CAPITAL ADEQUACY/ ILLEGALITY:	Increased cost/capital adequacy/ illegality provisions to be included and will generally provide that no increased cost or capital adequacy payment may be claimed if allocable to periods prior to 30 days prior to date Company is notified of claim by a Bank; no compensation for increases in capital not occasioned by a Change in Law or beyond that required by a Change in Law. Any Bank requesting additional compensation shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation or permit the Bank to make or maintain any LIBOR Loan, so long as such designation is not disadvantageous to such Bank. Any Regulation D charges shall be billed through Administrative Agent. "Change in Law" as defined is the adoption of any law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof, after Closing Date, by any governmental authority, central bank or comparable agency or

	compliance with any directive (whether or not having the force of law) of any such entity.
INDEMNITY:	Company to indemnify Banks for (i) funding costs and/or losses (excluding loss of margin) if prepayment or conversion of a LIBOR Loan or a CD Loan occurs prior to the end of an Interest Period or if Company fails to consummate a LIBOR Loan or a CD Loan because conditions precedent to borrowing or conversion not satisfied and (ii) reasonable costs and expenses of litigation in response to or in defense of any proceeding brought or threatened against a Bank relating to the Agreement or Company's use of proceeds of the Loans.
EXPENSES:	In connection with preparing Loan Agreement, Company will pay reasonable fees and disbursements of special counsel to Agents and reasonable out-of-pocket expenses incurred by Agents. In connection with an Event of Default and enforcement proceedings, Company will pay reasonable out-of-pocket expenses of Agents and Banks, including reasonable fees and expenses of counsel (including in-house counsel).
DOCUMENT PREPARATION:	Loan Agreement to be prepared by Davis Polk & Wardwell.

LOCKHEED MARTIN CORPORATION
PRICING SCHEDULE
364-DAY REVOLVER

The LIBOR Margin, the CD Margin and the Facility Fee shall be as specified below (in basis points per annum).

		LEVEL I	LEVEL II	LEVEL III	LEVEL IV
BASIS FOR PRICING		If Company is rated A or better by S&P or A2 or better by Moody's	If Company is rated A- or better by S&P or A3 or better by Moody's	If Company is rated BBB+ or better by S&P or Baa1 or better by Moody's	If Company is rated BBB or better by S&P or Baa2 or better by Moody's
FACILITY FEE		6.00	7.00	8.00	9.00
LIBOR +	Greater than 50%	16.50	18.00	22.00	26.00
	Less than 50%	16.50	18.00	27.00	31.00
CD +	Greater than 50%	29.00	30.50	34.50	38.50
	Less than 50%	29.00	30.50	39.50	43.50
UNUSED COST		6.00	7.00	8.00	9.00
USED COST	Greater than 50%	22.50	25.00	30.00	35.00
	Less than 50%	22.50	25.00	35.00	40.00

SUMMARY OF TERMS AND CONDITIONS
FOR LOCKHEED MARTIN CORPORATION

BORROWER:	Lockheed Martin Corporation ("Company"), directly or indirectly through LAC Acquisition Corp.
AMOUNT:	$5,000,000,000.
PURPOSE:	The purchase of the common stock of "Wings" and general corporate purposes including commercial paper backup.
ARRANGER AND SYNDICATION AGENT:	J.P. Morgan Securities Inc.
CO-ARRANGER:	BA Securities, Inc.
MANAGING AGENTS:	Citibank, N.A.
DOCUMENTATION AGENT:	Morgan Guaranty Trust Company of New York.
ADMINISTRATIVE AGENT:	Bank of America National Trust and Savings Association.
FACILITY DESCRIPTION:	Five-year facility on a fully revolving basis.
BORROWING OPTIONS:	Committed Loans consisting of Base Rate Loans, CD Loans and LIBOR Loans. Uncommitted Money Market bid rate options ("Money Market Loans").
LENDERS:	Syndicate of lenders acceptable to Company and Arranger ("Banks").
TIMING:	Closing to occur by May 1996.
GUARANTORS:	Lockheed Corporation, Martin Marietta Corporation, Martin Marietta Technologies, Inc., LAC Acquisition Corporation or the Company if LAC Acquisition Corp. is the Borrower .
COMMITMENTS AND FEES:	
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COMMITMENT:	With respect to Committed Loans, each Bank will fund each draw in proportion to its Commitment. With respect to Money Market Loans, each Bank may, but shall have no obligation to, make offers to make such Loans pursuant to requests submitted by Company. Drawdown of Money

	Market Loans will be deemed a use of Commitments of all Banks on pro rata basis.
REDUCTION OR CANCELLATION OF COMMITMENTS:	Commitments cancelable in whole or in part (ratably reduced in amounts of at least $25,000,000 and multiples of $5,000,000 in excess thereof) at election of Company upon not less than three business days' notice.
TERMINATION OF BANKS/REPLACING BANKS:	Company may terminate the entire Commitment of any Bank upon 10 business days' notice if a Bank demands increased costs or capital adequacy payments from Company or if the commitment of a Bank to make LIBOR Loans is suspended due to its inability to make such Loans. Company may replace such Bank with a new or existing Bank.
FACILITY FEE:	To be paid quarterly in arrears on the daily average of the total Commitments at a rate determined by reference to attached Pricing Schedule. Facility Fee will increase if ratings downgraded and decrease if ratings upgraded. Facility Fee computed on the basis of a year of 365 or 366 days over the actual number of days elapsed. Any change in Facility Fee shall become effective the day on which a rating agency shall have announced a ratings change.
INTEREST RATES - ----------	
INTEREST RATE OPTIONS:	LIBOR, CD Rate or Base Rate at the election of Company.
LIBOR INTEREST PERIOD OPTIONS:	One, two, three or six months, as selected by Company. Twelve-month LIBOR option available upon request of Company and consent of all Banks.
CD RATE INTEREST PERIOD OPTIONS:	30, 60, 90 or 180 days, as selected by Company.
RATE BASIS:	LIBOR CD Rate - Adjusted CD Rate. 3 LIBOR/CD Reference Banks to be appointed. Base Rate - higher of Reference Rate as announced by Administrative Agent or federal funds rate plus .5%. Any change in Base Rate effective on the day change is announced by Administrative Agent.

INTEREST PAYMENT:	Interest on LIBOR Loans, CD Loans and Base Rate Loans (if federal funds rate is effective rate) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Interest on Base Rate Loans (if Reference Rate is effective rate) shall be computed on the basis of a year of 365 or 366 days, as the case may be, and paid for the actual number of days elapsed. Interest accrued on Base Rate Loans shall be paid quarterly. Interest accrued on LIBOR Loans shall be paid on the last day of the Interest Period, on the date of any prepayment or conversion thereof, together with breakage costs, if any, and in the case of a LIBOR Loan with an Interest Period of twelve-months, on the six-month anniversary of the making of the LIBOR Loan. Interest accrued on CD Loans shall be paid on the last day of the Interest Period and on the date of any prepayment or conversion thereof, together with breakage costs, if any. If any CD Loan or portion thereof shall have an Interest Period of less than 30 days, such portion shall bear interest at the Base Rate during such period. Interest obligations accrue from the day funds are received through the day before principal is repaid.
RATE SPREAD:	For Base Rate Loans, Base Rate. For LIBOR Loans, LIBOR plus LIBOR Margin. For CD Loans, Adjusted CD Rate plus CD Margin. LIBOR Margin and CD Margin determined by reference to attached Pricing Schedule. LIBOR Margin and CD Margin will increase if ratings downgraded and decrease if ratings upgraded. Any change in the LIBOR Margin or CD Margin shall become effective for LIBOR Loans or CD Loans, as applicable, the day on which a rating agency shall have announced a ratings change.
POST DEFAULT RATE:	2% per annum above the Base Rate for such date.
BORROWING PROCEDURES - ----------	
MINIMUM DRAW:	$10,000,000 with additional increments of $1,000,000. No per draw limit up to total unused Commitments.
NOTIFICATION/TIMING:	Base Rate: To Administrative Agent, by 11:00 a.m. New York City time on day of draw. LIBOR: To Administrative Agent, by 1:00 p.m. New York City time, 3 business days before draw or, in the case of an Interest Period of twelve-months, by 1:00 p.m. New York City time, 4 business days before draw.

CD Rate: To Administrative Agent, by 1:00 p.m. New York City time, 2 business days before draw.

An officer or a Designated Representative (certain designated employees) to provide notice to Administrative Agent. An officer or Designated Representative may provide telephonic notice, to be followed by appropriately authorized written notice.

FUND DELIVERY: Banks to deliver funds to Administrative Agent by 1:00 p.m. New York City time. Administrative Agent to wire transfer loan principal (U.S. Dollars) in immediately available funds to an account to be designated by Company immediately upon receipt, but not later than 4:00 p.m. New York City time. Administrative Agent may make up a shortfall of funds received. Any Bank not making its pro rata share of any Loan available to Administrative Agent and Company, if it does not repay such share of any Loan, at the required date and time severally agree to repay Administrative Agent such shortfall, with interest (at the federal funds rate). If a Bank fails to fund a Loan, amounts received by Administrative Agent will be deemed to have been paid to Bank and made available to Administrative Agent for the Loan.

CONVERSION/CONTINUATION: Company may (i) convert all or any portion of outstanding Base Rate Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to LIBOR Loans or CD Loans, (ii) convert all or any portion of outstanding LIBOR Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or CD Loans, and (iii) convert all or any portion of outstanding CD Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or LIBOR Loans. Upon the expiration of any Interest Period applicable to a LIBOR Loan or a CD Loan, Company may continue all or any portion of such Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof as LIBOR Loans or CD Loans, as applicable. Written or telephonic notice of such conversion/continuation shall be delivered to Administrative Agent no later than (i) 1:00 p.m. New York City time (a) at least 3 business days in advance of the proposed date of conversion to or continuation of LIBOR Loans or (b) at least 2 business days in advance of the proposed date of conversion to or continuation of CD Loans and (ii) 11:00 a.m. New York City time on the day of the proposed conversion to a Base Rate Loan. Telephonic notice of conversion/continuation to be promptly followed by a written notice thereof. If timely notice of conversion/continuation not provided by Company as to any LIBOR loan or CD Loan and such Loan is not repaid by

Company at the end of the applicable Interest Period thereof, such Loan shall be converted to a Base Rate Loan.

PREPAYMENTS: Base Rate Loans can be repaid in whole or in part on any day without penalty or premium. CD Loans can be repaid with 1 business day's notice. LIBOR Loans can be repaid with 3 business days' notice. Each partial prepayment shall be in an aggregate amount of not less than $10,000,000 and shall include interest accrued on the Loans to the prepayment date and any breakage costs (excluding loss of Margin).

PAYMENTS TO BANKS: All payments by Company to Banks under Loan Agreement are to be in U.S. Dollars, free of taxes, and wire transferred to Administrative Agent in immediately available funds no later than 2:00 p.m. New York City time.

PARTICIPATIONS/ASSIGNMENTS: Assignments may be made to Eligible Institutions with the prior notification to the Administrative Agent and prior written consent of Company, which shall not be unreasonably withheld, in minimum amounts of $15,000,000. Withholding of consent is not unreasonable if based solely on desire to manage loan exposures to proposed assignee or avoid payment of additional increased costs of taxes payable by Company by reason of such assignment. No Company consent required for assignment to an affiliate of a Bank. Each Bank must retain at least $15,000,000 commitment. Participations permitted without consent of Company upon prior written notification to Company (no prior notification required in the case of participations of Money Market Loans). Transferability of voting rights limited to change in principal, rate, fees and term. "Eligible Institution" means any commercial bank having total assets in excess of $3,000,000,000 or the equivalent amount of local currency of such bank or affiliates of such bank that are financial institutions.

CONDITIONS PRECEDENT
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(A) Effectiveness of Loan Agreement: customary for this type of transaction, including:

1) termination of, and payment of amounts due under, existing revolving credit agreements.

2) execution and delivery of:

a) opinion of General Counsel or Assistant General Counsel to Company and opinion of special counsel to company;

b) opinion of Bank counsel;

c) certified copies of charters, bylaws, and corporate action authoring Loan Agreement;

d) note for each Bank, if requested;

e) certificate indicating incumbency and signatures of officers signing Loan Agreement and those officers and employees authorized to give notice of borrowing; and

f) LAC and Wings shall have entered into a merger agreement in form and substance satisfactory to the Banks providing for the acquisition to be effected by a cash tender offer for at least 66% of Wing's common stock and subsequent merger.

(g) terms and conditions of the tender offer shall be in substance as disclosed to the Banks prior to their commitments but shall in all events include that LAC shall own and control the number of shares of Wing's common stock as shall be necessary to approve the merger without the affirmative vote or approval of any other shareholders; the conditions to the consummation of the tender offer shall have been satisfied and shall not have been waived, except for conditions (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and tendered shares shall have been accepted for payment pursuant to the tender offer in accordance with the terms of the tender offer.

(h) evidence satisfaction to the Documentation Agent and Administrative Agent that all other necessary licenses, permits and governmental and third-party filings, consents and approvals for the acquisition and merger have been made or obtained and remain in full force and effect, except for those (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and the tender offer and the financing thereof shall be in compliance with all laws and regulations (including, without limitation, the margin regulations).

(B) All Loans: (i) accuracy of Representations and Warranties, with the exception, for Loans other than the tender offer funding, of the representations concerning litigation, taxes, ERISA, no Material Adverse Effect since date of pro forma financial statements delivered to Banks and environmental matters and (ii) no Event of Default.

REPRESENTATIONS AND WARRANTIES

CORPORATE EXISTENCE & POWER: Company and its Significant Subsidiaries duly organized, validly existing and in good standing in respective state of incorporation and qualified to do business where necessary, except where failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Company has all necessary corporate power to enter into and perform under Loan Agreement and Notes.

"Material Adverse Effect" means a material adverse effect on (a) ability of Company to perform obligations under Agreement or Notes, (b) validity or enforceability of Agreement or Notes, (c) rights and remedies of any Bank or Agents or (d) timely payment of principal of or interest on the Loans or other amounts paid in connection therewith.

"Significant Subsidiary" means a Subsidiary with total assets, net of depreciation and amortization and after intercompany eliminations, in excess of $100,000,000.

"Subsidiary" as defined does not include any Exempt Subsidiary, but otherwise means any entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body.

"Restricted Subsidiary" means any Significant Subsidiary, any Subsidiary that has substantially all of its property located in the United States and that owns a Principal Property and any other Subsidiary designated from time to time by the Company as a "Restricted Subsidiary." Subsidiaries of a Restricted Subsidiary are not Restricted Subsidiaries solely by virtue of such Subsidiary status. If at the end of any fiscal quarter, the aggregate net assets of the Company and all of its Restricted Subsidiaries are less than a specified percentage of the total net assets of the Company and its Subsidiaries taken as a whole, as reported in the Company's financial statements (the "Total Net Assets") , the Company shall designate another Subsidiary or Subsidiaries as Restricted Subsidiaries such that the net assets of such Subsidiary or Subsidiaries that are not encumbered to secure Debt, plus the net assets of the Company and the other Restricted Subsidiaries, equals or exceeds a specified percentage of the Total Net Assets.

Thereafter, the Company may designate a Subsidiary or Subsidiaries (other than a Restricted Subsidiary as defined without regard to any prior such designations by the Company) as no longer a Restricted Subsidiary, provided that the aggregate net assets of the Company and all of its Restricted Subsidiaries after giving effect thereto shall equal or exceed a specified percentage of the Total Net Assets.

"Exempt Subsidiary" means Lockheed Martin Finance Corporation, Martin Marietta Materials, Inc. and any other entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body, the book value, net of depreciation, amortization and intercompany eliminations, of the assets of which, when aggregated with the book values, net of depreciation, amortization and intercompany eliminations, of the assets of any other Exempt Subsidiary other than Lockheed Martin Finance Corporation or Martin Marietta Materials, Inc., do not exceed a specified percentage of the value of total assets of Company and its consolidated subsidiaries, and which are designated as such by Company.

"Principal Property" defined as any manufacturing property with a book value, net of depreciation and amortization, in excess of $5,000,000.

NO CONTRAVENTION: Execution, delivery and performance of Loan Agreement and Notes do not contravene, or constitute a default under, Company's or Guarantors' charter documents or any applicable laws or regulations or any agreements or instruments to which Company is a party which would be reasonably likely to have a Material Adverse Effect.

CORPORATE AUTHORIZATION: Company and Guarantors have taken all corporate action necessary for entering into Loan Agreement and Notes and consummating transaction thereunder; Loan Agreement and Notes are valid, binding and enforceable against Company and Guarantors, subject to bankruptcy and equity exceptions.

FINANCIAL INFORMATION: Pro forma financial statements delivered to Banks fairly present financial position as of date of such financial statements on a pro forma basis consistent with the assumptions stated therein; includes representation that no Material Adverse Effect has occurred since date of such financial statements.

LITIGATION; TAXES: No litigation exists against Company or any Subsidiary, an adverse determination of which is reasonably likely to occur and if so adversely determined would be reasonably likely to have a

	Material Adverse Effect and, at the time of the tender offer closing, there shall be (i) no injunction against consummation of the tender offer, (ii) no litigation pending or threatened which gives rise to a material likelihood that the merger will not be consummated or will be subject to the undue delay and (iii) no litigation pending or threatened, other than that as to which there is not a material likelihood of success, challenging the legality, validity or legal effect of the financing. Company and each Subsidiary have filed all material tax returns and paid all taxes due thereunder when due, except for those not delinquent, those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect and those contested in good faith.
GOVERNMENTAL APPROVALS:	No governmental consents or approvals required in connection with Loan Agreement and Notes, except routine filings under Securities Exchange Act of 1934 and the filing of International Capital Form CQ-1's.
MARGIN REGULATIONS:	No part of proceeds of Loans will be used in violation of Federal Reserve Regulation U, G, T and X.
PARI PASSU OBLIGATIONS:	Claims of other parties to Loan Agreement against Company will not be subordinate to, and will rank at least pari passu with, claims of other unsecured creditors of Company, except as may be provided for under applicable bankruptcy laws.
NO DEFAULTS:	No payment default in respect of Material Debt. "Material Debt" defined as debt of Company and/or one or more of its Subsidiaries exceeding $100,000,000 in an aggregate principal amount.
ERISA:	Company and related ERISA entities (the "ERISA Group") have fulfilled their obligations under minimum funding standards of ERISA and the Internal Revenue Code and are in substantial compliance with all material provisions of ERISA and Internal Revenue Code with respect to each ERISA plan. ERISA Group has not (i) sought a waiver of minimum funding standards, (ii) failed to make a contribution to any plan or made any amendment to any plan which could result in material lien or posting of material bonds or (iii) incurred material liability under Title IV of ERISA (other than for payment of premiums under ERISA).
DISCLOSURE:	Written information provided to the Banks in connection with Loan Agreement, collectively, does not contain any misstatement of a material fact or omit to state a fact necessary to make the statements contained therein, in light of the circumstances under

	which they were made, not misleading in any material respect on and as of the date of Loan Agreement.
ENVIRONMENTAL:	Based upon Company's periodic review of its ongoing operations (and those of its Restricted Subsidiaries), to the best knowledge of Company, ongoing operations at the Principal Properties are currently being conducted in substantial compliance with applicable environmental laws, except to the extent that noncompliance would not be reasonably likely to result in a material adverse change in the consolidated financial conditions of Company and its consolidated subsidiaries.
COVENANTS - ---------	Covenants customary for this type of transaction, including:
ACCOUNTING:	Except as otherwise specified, accounting measurements will be per GAAP as in effect from time to time. Company or Required Banks have ability to request covenant change if change in GAAP affects covenant; effect of change in GAAP then suspended until new covenant negotiated.
INFORMATION/REPORTING/DISTRIBUTION:	60 day delivery for quarterly financial reports and 120 day delivery for annual financial reports; delivery of such statements as filed with the SEC satisfies requirement. Documents distributed to shareholders or filed with the SEC (with certain exceptions) to be distributed to the Banks promptly after becoming available. Company to provide prompt notice of (i) the occurrence of any Default and (ii) certain litigation.
COMPUTATION OF COVENANTS:	Company to provide with each distribution of annual and quarterly financial statements computations of leverage ratio.
MAINTENANCE OF EXISTENCE:	Company and Significant Subsidiaries will preserve and maintain corporate existence. Company may terminate business or corporate existence of a Subsidiary which in Company's judgment is no longer necessary or desirable. Mergers, consolidations and transfers of assets permitted as set forth below. No prohibition on merger of a Subsidiary into Company, or merger or consolidation of a Subsidiary with or into another entity if surviving corporation is a Subsidiary and no Default shall have occurred and be continuing.
MERGERS, CONSOLIDATIONS & SALES OF ASSETS:	Merger, consolidation, transfer or conveyance of substantially all Company's assets prohibited unless resulting corporation is Company or a consolidated subsidiary that is a domestic corporation that expressly assumes payment of indebtedness and performance of covenants under Loan Agreement, no Default shall have occurred and be continuing after giving effect to transaction

	and if Company is not surviving corporation, there has been delivered an Officer's Certificate and legal opinion of its counsel stating that such transaction complies with Loan Agreement. Upon any such transaction, the entity formed by such transaction shall succeed to and be substituted for Company under Loan Agreement. This covenant shall not apply to any sale of Wing's stock, so long as it is margin stock, for value.
LIMITATION ON LIENS:	No liens on assets of the Company or any Restricted Subsidiary to secure Debt allowed except (i) liens existing on the date of Loan Agreement, (ii) liens on property of a corporation existing at the time the corporation is merged or consolidated with Company or a Restricted Subsidiary, (iii) liens securing debt owing to Company or another Restricted Subsidiary, (iv) mechanic's liens, (v) liens on property of a corporation existing at the time the corporation becomes a Restricted Subsidiary, (vi) liens on property at time of acquisition of property and purchase money liens, including liens incurred in connection with industrial revenue bonds, to secure payment of purchase price or indebtedness incurred or guaranteed prior to, at the time of or within one year after acquisition, completion of full operation of property if indebtedness incurred or guaranteed to pay purchase price of property or improvements, (vii) liens in favor of any customer (including any governmental authority) to secure partial, progress, advance or other payments or performance pursuant to any contract or statute or to secure any related indebtedness or to secure Debt guaranteed by a governmental authority, (viii) liens on cash or certificates of deposit or other bank obligations securing indebtedness in aggregate principal amount not in excess of $200,000,000 (which may be in a different currency) of an amount substantially equal in value (at the time the lien is created) to such cash, certificates of deposit or other obligations, (ix) any extension, renewal, replacement of the foregoing, (x) liens equally and ratably severing this credit facility and such Debt and (xi) liens not otherwise referred to securing Debt that does not in the aggregate exceed the greater of 10% of stockholders' equity at the end of the preceding fiscal quarter or $1,000,000,000. Liens described in (ii), (v) and (vi) shall not include any liens on stock or assets of "Wings" or its subsidiaries incurred in contemplation of the merger. This covenant shall not apply to margin stock in excess of 25% in value of the assets covered by this covenant.
PAYMENT OF OBLIGATIONS:	Company and each Significant Subsidiary will pay all material taxes, assessments, and governmental charges imposed upon it and all lawful material claims prior to date any penalty accrues or lien imposed except for (i) those contested in good faith, (ii) those not delinquent and (iii) those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect.

COMPLIANCE WITH LAWS:	Company and each Significant Subsidiary shall comply with all laws, a breach of which would be reasonably likely to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.
INSURANCE:	Company and each Significant Subsidiary will maintain insurance as is customarily carried by owners of similar businesses and properties (or to the customary extent, self-insurance).
MAINTENANCE OF PROPERTIES:	Company and its Significant Subsidiaries will keep all properties necessary in its business in good working order, normal wear and tear excepted; Company or any Subsidiary may discontinue operation and/or maintenance of such properties if discontinuance is in Company's (or such Subsidiary's) judgment desirable.
LEVERAGE RATIO:	Ratio of Debt (as defined) as of the last day of any fiscal quarter to the sum of (i) Debt (as defined) and (ii) Stockholders' Equity (as defined) at levels to be determined.
STOCKHOLDERS' EQUITY AS DEFINED:	Consolidated Stockholders' Equity of Company and consolidated Subsidiaries as reported.
DEBT AS DEFINED:	Debt shall mean, without duplication:
	(i) all debt, including ESOP guarantees and capitalized lease obligations, reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries, plus
	(ii) all indebtedness for borrowed money and capitalized lease obligations incurred by third parties guaranteed by Company and its consolidated Subsidiaries not otherwise reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries.
USE OF LOANS:	Proceeds of the Loans may be used for any lawful corporate purpose.
WAIVERS:	Required Banks may waive compliance with any covenant (other than certain provisions relating to principal payments, fees, interest rate, due dates and guarantees, which require consent of all Banks).
EVENTS OF DEFAULT	
PRINCIPAL PAYMENTS:	Failure to pay when due.

INTEREST AND FACILITY FEE PAYMENTS:	Failure to pay within 5 days of due date.
OTHER FEES:	Failure to pay within 30 days after written request for payment thereof.
BREACH OF CERTAIN COVENANTS:	Failure to perform under the following covenants: 1) Merger/Consolidation Restrictions 2) Limitations on Liens 3) Leverage Ratio
BREACH OF OTHER COVENANTS:	Failure to perform within 30 days after written notice.
REPRESENTATIONS:	5 days to correct after written notice.
ACCELERATION OF DEBT:	Any Material Debt shall be accelerated by reasons of default thereunder or not paid when due and corrective action shall not have been taken within 5 days after written notice thereof.
BANKRUPTCY:	Company or any Significant Subsidiary shall commence voluntary proceeding under bankruptcy laws, or seek appointment of receiver or trustee, or shall consent to any of the foregoing; or makes a general assignment for benefit of creditors; or fails generally to pay its debts as they become due; or takes any corporate action to authorize the foregoing. Involuntary case or proceeding commenced against Company or any Significant Subsidiary seeking relief under bankruptcy laws or seeking appointment of trustee or receiver, and such proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against Company or any Significant Subsidiary under federal bankruptcy laws.
FINAL JUDGMENTS:	Final judgment requiring payment of $150,000,000 or more that has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.
ERISA:	A final judgment either (1) requiring termination or imposing liability under Title IV of ERISA (other than for premiums) in respect of, or requiring a trustee to be appointed pursuant to Title IV of ERISA to administer, any plan or plans having unfunded liabilities in excess of $150,000,000 or (2) in an action relating to a Multiemployer Plan involving a current payment obligation in excess of $150,000,000, which judgment in either case has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.

CHANGE IN OWNERSHIP OF STOCK:	Any person or group of persons (other than employee benefit or stock ownership plan of Company) has acquired shares of capital stock having ordinary voting power to elect a majority of the Board of Directors of Company or change in majority of Board of Directors within a two-year period.
GUARANTY INVALIDATED:	Revocation or invalidation of guaranty of the Loan Agreement and the Notes.
REMEDIES:	Commitments terminate and loan/interest become due and payable upon the receipt of notice from Documentation Agent (automatic in case of bankruptcy).
NOTICES OF DEFAULT:	All notices or requests specified in Events of Default provisions to be given by Documentation Agent at the request of the Required Banks.

MISCELLANEOUS
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GOVERNING LAW/SUBMISSION TO JURISDICTION:	New York law governs. Parties submit to the jurisdiction of New York courts for all legal proceedings and waive any objection to the laying of venue of any such proceeding brought in such a court and claim of inconvenient forum.
WAIVER OF JURY TRIAL:	Company, Agents and Banks each waive rights to trial by jury.
REQUIRED BANKS:	Banks holding in excess of 50% of outstanding Commitments.
INCREASED COSTS/CAPITAL ADEQUACY/ ILLEGALITY:	Increased cost/capital adequacy/ illegality provisions to be included and will generally provide that no increased cost or capital adequacy payment may be claimed if allocable to periods prior to 30 days prior to date Company is notified of claim by a Bank; no compensation for increases in capital not occasioned by a Change in Law or beyond that required by a Change in Law. Any Bank requesting additional compensation shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation or permit the Bank to make or maintain any LIBOR Loan, so long as such designation is not disadvantageous to such Bank. Any Regulation D charges shall be billed through Administrative Agent. "Change in Law" as defined is the adoption of any law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof, after Closing Date, by any governmental authority, central bank or comparable agency or

	compliance with any directive (whether or not having the force of law) of any such entity.
INDEMNITY:	Company to indemnify Banks for (i) funding costs and/or losses (excluding loss of margin) if prepayment or conversion of a LIBOR Loan or a CD Loan occurs prior to the end of an Interest Period or if Company fails to consummate a LIBOR Loan or a CD Loan because conditions precedent to borrowing or conversion not satisfied and (ii) reasonable costs and expenses of litigation in response to or in defense of any proceeding brought or threatened against a Bank relating to the Agreement or Company's use of proceeds of the Loans.
EXPENSES:	In connection with preparing Loan Agreement, Company will pay reasonable fees and disbursements of special counsel to Agents and reasonable out-of-pocket expenses incurred by Agents. In connection with an Event of Default and enforcement proceedings, Company will pay reasonable out-of-pocket expenses of Agents and Banks, including reasonable fees and expenses of counsel (including in-house counsel).
DOCUMENT PREPARATION:	Loan Agreement to be prepared by Davis Polk & Wardwell.

LOCKHEED MARTIN CORPORATION
PRICING SCHEDULE
FIVE YEAR REVOLVER

The LIBOR Margin, the CD Margin and the Facility Fee shall be as specified below (in basis points per annum).

		LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V	LEVEL VI
BASIS FOR PRICING		If Company is rated A or better by S&P or A2 or better by Moody's	If Company is rated A- or better by S&P or A3 or better by Moody's	If Company is rated BBB+ or better by S&P or Baa1 or better by Moody's	If Company is rated BBB or better by S&P or Baa2 or better by Moody's	If Company is rated BBB- by S&P and Baa3 by Moody's	If Company is rated lower than BBB- by S&P or Baa3 by Moody's or is unrated and no other level applies
FACILITY FEE		8.00	10.00	11.00	13.75	17.50	25.00
LIBOR +	Greater than 50%	14.50	15.00	19.00	21.25	32.50	50.00
	Less than 50%	14.50	15.00	24.00	26.25	37.50	50.00
CD +	Greater than 50%	27.00	27.50	31.50	33.75	45.00	62.50
	Less than 50%	27.00	27.50	36.50	38.75	50.00	62.50
UNUSED COST		8.00	10.00	11.00	13.75	17.50	25.00
USED COST	Greater than 50%	22.50	25.00	30.00	35.00	50.00	75.00
	Less than 50%	22.50	25.00	35.00	40.00	55.00	75.00

[CITICORP LOGO AND LETTERHEAD]

January 5, 1996

J. P. Morgan Securities, Inc.
60 Wall Street
New York, NY 10260

Attention Mr. Michael Mauer
Vice President

$5,000,000,000 364-Day Revolving Credit Facility
$5,000,000,000 Five-Year Revolving Credit Facility

Dear Mr. Mauer:

Citicorp Securities, Inc. is pleased to inform you of the commitment of Citicorp USA, Inc. as Managing Agent and Lender to provide up to US $750,000,000 of the Facilities on a pro rata basis for the syndicated loans for Lockheed Martin Corporation ("LMC"), the terms and conditions of which are outlined in the Summary of Terms and Conditions dated January 4, 1996, which is attached as Annex I. Terms not made clear in Annex I are subject to the mutual agreement of the parties. Our commitment is subject only to (i) satisfactory documentation and (ii) receiving the fees set forth in the separate fee letter dated January 5, 1996.

This commitment will expire at 5:00 p.m. (EST) on January 9, 1996 if this letter has not been accepted by LMC by that time.

Sincerely,

CITICORP SECURITIES, INC.

By: /s/ William L. Hartmann
_____
William L. Hartmann
Managing Director

ACCEPTED AND AGREED TO

LOCKHEED MARTIN CORPORATION

By: /s/ Walter E. Skowronski
_____
Name: Walter E. Skowronski
Title: Vice President and Treasurer
Date: January 7, 1996

SUMMARY OF TERMS AND CONDITIONS
FOR LOCKHEED MARTIN CORPORATION

BORROWER:	Lockheed Martin Corporation ("Company"), directly or indirectly through LAC Acquisition Corp.
AMOUNT:	$5,000,000,000.
PURPOSE:	The purchase of the common stock of "Wings" and general corporate purposes including commercial paper backup.
ARRANGER AND SYNDICATION AGENT:	J.P. Morgan Securities Inc.
CO-ARRANGER:	BA Securities, Inc.
MANAGING AGENTS:	Citibank, N.A.
DOCUMENTATION AGENT:	Morgan Guaranty Trust Company of New York.
ADMINISTRATIVE AGENT:	Bank of America National Trust and Savings Association.
FACILITY DESCRIPTION:	364-day facility on a fully revolving basis.
BORROWING OPTIONS:	Committed Loans consisting of Base Rate Loans, CD Loans and LIBOR Loans. Uncommitted Money Market bid rate options ("Money Market Loans").
LENDERS:	Syndicate of lenders acceptable to Company and Arranger ("Banks").
TIMING:	Closing to occur by May 1996.
GUARANTORS:	Lockheed Corporation, Martin Marietta Corporation, Martin Marietta Technologies, Inc., LAC Acquisition Corporation or the Company if LAC Acquisition Corp. is the Borrower.
COMMITMENTS AND FEES: - ----------	
COMMITMENT:	With respect to Committed Loans, each Bank will fund each draw in proportion to its Commitment. With respect to Money Market Loans, each Bank may, but shall have no obligation to, make offers to make such Loans pursuant to requests submitted by Company. Drawdown of Money

	Market Loans will be deemed a use of Commitments of all Banks on pro rata basis.
REDUCTION OR CANCELLATION OF COMMITMENTS:	Commitments cancelable in whole or in part (ratably reduced in amounts of at least $25,000,000 and multiples of $5,000,000 in excess thereof) at election of Company upon not less than three business days' notice.
TERMINATION OF BANKS/REPLACING BANKS:	Company may terminate the entire Commitment of any Bank upon 10 business days' notice if a Bank demands increased costs or capital adequacy payments from Company or if the commitment of a Bank to make LIBOR Loans is suspended due to its inability to make such Loans. Company may replace such Bank with a new or existing Bank.
FACILITY FEE:	To be paid quarterly in arrears on the daily average of the total Commitments at a rate determined by reference to attached Pricing Schedule. Facility Fee will increase if ratings downgraded and decrease if ratings upgraded. Facility Fee computed on the basis of a year of 365 or 366 days over the actual number of days elapsed. Any change in Facility Fee shall become effective the day on which a rating agency shall have announced a ratings change.
INTEREST RATES - ----------	
INTEREST RATE OPTIONS:	LIBOR, CD Rate or Base Rate at the election of Company.
LIBOR INTEREST PERIOD OPTIONS:	One, two, three or six months, as selected by Company. Twelve-month LIBOR option available upon request of Company and consent of all Banks.
CD RATE INTEREST PERIOD OPTIONS:	30, 60, 90 or 180 days, as selected by Company.
RATE BASIS:	LIBOR CD Rate - Adjusted CD Rate. 3 LIBOR/CD Reference Banks to be appointed. Base Rate - higher of Reference Rate as announced by Administrative Agent or federal funds rate plus .5%. Any change in Base Rate effective on the day change is announced by Administrative Agent.

INTEREST PAYMENT:	Interest on LIBOR Loans, CD Loans and Base Rate Loans (if federal funds rate is effective rate) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Interest on Base Rate Loans (if Reference Rate is effective rate) shall be computed on the basis of a year of 365 or 366 days, as the case may be, and paid for the actual number of days elapsed. Interest accrued on Base Rate Loans shall be paid quarterly. Interest accrued on LIBOR Loans shall be paid on the last day of the Interest Period, on the date of any prepayment or conversion thereof, together with breakage costs, if any, and in the case of a LIBOR Loan with an Interest Period of twelve-months, on the six-month anniversary of the making of the LIBOR Loan. Interest accrued on CD Loans shall be paid on the last day of the Interest Period and on the date of any prepayment or conversion thereof, together with breakage costs, if any. If any CD Loan or portion thereof shall have an Interest Period of less than 30 days, such portion shall bear interest at the Base Rate during such period. Interest obligations accrue from the day funds are received through the day before principal is repaid.
RATE SPREAD:	For Base Rate Loans, Base Rate. For LIBOR Loans, LIBOR plus LIBOR Margin. For CD Loans, Adjusted CD Rate plus CD Margin. LIBOR Margin and CD Margin determined by reference to attached Pricing Schedule. LIBOR Margin and CD Margin will increase if ratings downgraded and decrease if ratings upgraded. Any change in the LIBOR Margin or CD Margin shall become effective for LIBOR Loans or CD Loans, as applicable, the day on which a rating agency shall have announced a ratings change.
POST DEFAULT RATE:	2% per annum above the Base Rate for such date.
BORROWING PROCEDURES - ----------	
MINIMUM DRAW:	$10,000,000 with additional increments of $1,000,000. No per draw limit up to total unused Commitments.
NOTIFICATION/TIMING:	Base Rate: To Administrative Agent, by 11:00 a.m. New York City time on day of draw. LIBOR: To Administrative Agent, by 1:00 p.m. New York City time, 3 business days before draw or, in the case of an Interest Period of twelve-months, by 1:00 p.m. New York City time, 4 business days before draw.

CD Rate: To Administrative Agent, by 1:00 p.m. New York City time, 2 business days before draw.

An officer or a Designated Representative (certain designated employees) to provide notice to Administrative Agent. An officer or Designated Representative may provide telephonic notice, to be followed by appropriately authorized written notice.

FUND DELIVERY: Banks to deliver funds to Administrative Agent by 1:00 p.m. New York City time. Administrative Agent to wire transfer loan principal (U.S. Dollars) in immediately available funds to an account to be designated by Company immediately upon receipt, but not later than 4:00 p.m. New York City time. Administrative Agent may make up a shortfall of funds received. Any Bank not making its pro rata share of any Loan available to Administrative Agent and Company, if it does not repay such share of any Loan, at the required date and time severally agree to repay Administrative Agent such shortfall, with interest (at the federal funds rate). If a Bank fails to fund a Loan, amounts received by Administrative Agent will be deemed to have been paid to Bank and made available to Administrative Agent for the Loan.

CONVERSION/CONTINUATION: Company may (i) convert all or any portion of outstanding Base Rate Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to LIBOR Loans or CD Loans, (ii) convert all or any portion of outstanding LIBOR Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or CD Loans, and (iii) convert all or any portion of outstanding CD Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or LIBOR Loans. Upon the expiration of any Interest Period applicable to a LIBOR Loan or a CD Loan, Company may continue all or any portion of such Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof as LIBOR Loans or CD Loans, as applicable. Written or telephonic notice of such conversion/continuation shall be delivered to Administrative Agent no later than (i) 1:00 p.m. New York City time (a) at least 3 business days in advance of the proposed date of conversion to or continuation of LIBOR Loans or (b) at least 2 business days in advance of the proposed date of conversion to or continuation of CD Loans and (ii) 11:00 a.m. New York City time on the day of the proposed conversion to a Base Rate Loan. Telephonic notice of conversion/continuation to be promptly followed by a written notice thereof. If timely notice of conversion/continuation not provided by Company as to any LIBOR loan or CD Loan and such Loan is not repaid by

Company at the end of the applicable Interest Period thereof, such Loan shall be converted to a Base Rate Loan.

PREPAYMENTS: Base Rate Loans can be repaid in whole or in part on any day without penalty or premium. CD Loans can be repaid with 1 business day's notice. LIBOR Loans can be repaid with 3 business days' notice. Each partial prepayment shall be in an aggregate amount of not less than $10,000,000 and shall include interest accrued on the Loans to the prepayment date and any breakage costs (excluding loss of Margin).

PAYMENTS TO BANKS: All payments by Company to Banks under Loan Agreement are to be in U.S. Dollars, free of taxes, and wire transferred to Administrative Agent in immediately available funds no later than 2:00 p.m. New York City time.

PARTICIPATIONS/ASSIGNMENTS: Assignments may be made to Eligible Institutions with the prior notification to the Administrative Agent and prior written consent of Company, which shall not be unreasonably withheld, in minimum amounts of $15,000,000. Withholding of consent is not unreasonable if based solely on desire to manage loan exposures to proposed assignee or avoid payment of additional increased costs of taxes payable by Company by reason of such assignment. No Company consent required for assignment to an affiliate of a Bank. Each Bank must retain at least $15,000,000 commitment. Participations permitted without consent of Company upon prior written notification to Company (no prior notification required in the case of participations of Money Market Loans). Transferability of voting rights limited to change in principal, rate, fees and term. "Eligible Institution" means any commercial bank having total assets in excess of $3,000,000,000 or the equivalent amount of local currency of such bank or affiliates of such bank that are financial institutions.

CONDITIONS PRECEDENT
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(A) Effectiveness of Loan Agreement: customary for this type of transaction, including:

1) termination of, and payment of amounts due under, existing revolving credit agreements.

2) execution and delivery of:

a) opinion of General Counsel or Assistant General Counsel to Company and opinion of special counsel to company;

b) opinion of Bank counsel;

c) certified copies of charters, bylaws, and corporate action authoring Loan Agreement;

d) note for each Bank, if requested;

e) certificate indicating incumbency and signatures of officers signing Loan Agreement and those officers and employees authorized to give notice of borrowing; and

f) LAC and Wings shall have entered into a merger agreement in form and substance satisfactory to the Banks providing for the acquisition to be effected by a cash tender offer for at least 66% of Wing's common stock and subsequent merger.

(g) terms and conditions of the tender offer shall be in substance as disclosed to the Banks prior to their commitments but shall in all events include that LAC shall own and control the number of shares of Wing's common stock as shall be necessary to approve the merger without the affirmative vote or approval of any other shareholders; the conditions to the consummation of the tender offer shall have been satisfied and shall not have been waived, except for conditions (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and tendered shares shall have been accepted for payment pursuant to the tender offer in accordance with the terms of the tender offer.

(h) evidence satisfaction to the Documentation Agent and Administrative Agent that all other necessary licenses, permits and governmental and third-party filings, consents and approvals for the acquisition and merger have been made or obtained and remain in full force and effect, except for those (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and the tender offer and the financing thereof shall be in compliance with all laws and regulations (including, without limitation, the margin regulations).

(B) All Loans: (i) accuracy of Representations and Warranties, with the exception, for Loans other than the tender offer funding, of the representations concerning litigation, taxes, ERISA, no Material Adverse Effect since date of pro forma financial statements delivered to Banks and environmental matters and (ii) no Event of Default.

REPRESENTATIONS AND WARRANTIES

CORPORATE EXISTENCE & POWER: Company and its Significant Subsidiaries duly organized, validly existing and in good standing in respective state of incorporation and qualified to do business where necessary, except where failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Company has all necessary corporate power to enter into and perform under Loan Agreement and Notes.

"Material Adverse Effect" means a material adverse effect on (a) ability of Company to perform obligations under Agreement or Notes, (b) validity or enforceability of Agreement or Notes, (c) rights and remedies of any Bank or Agents or (d) timely payment of principal of or interest on the Loans or other amounts paid in connection therewith.

"Significant Subsidiary" means a Subsidiary with total assets, net of depreciation and amortization and after intercompany eliminations, in excess of $100,000,000.

"Subsidiary" as defined does not include any Exempt Subsidiary, but otherwise means any entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body.

"Restricted Subsidiary" means any Significant Subsidiary, any Subsidiary that has substantially all of its property located in the United States and that owns a Principal Property and any other Subsidiary designated from time to time by the Company as a "Restricted Subsidiary." Subsidiaries of a Restricted Subsidiary are not Restricted Subsidiaries solely by virtue of such Subsidiary status. If at the end of any fiscal quarter, the aggregate net assets of the Company and all of its Restricted Subsidiaries are less than a specified percentage of the total net assets of the Company and its Subsidiaries taken as a whole, as reported in the Company's financial statements (the "Total Net Assets") , the Company shall designate another Subsidiary or Subsidiaries as Restricted Subsidiaries such that the net assets of such Subsidiary or Subsidiaries that are not encumbered to secure Debt, plus the net assets of the Company and the other Restricted Subsidiaries, equals or exceeds a specified percentage of the Total Net Assets.

Thereafter, the Company may designate a Subsidiary or Subsidiaries (other than a Restricted Subsidiary as defined without regard to any prior such designations by the Company) as no longer a Restricted Subsidiary, provided that the aggregate net assets of the Company and all of its Restricted Subsidiaries after giving effect thereto shall equal or exceed a specified percentage of the Total Net Assets.

"Exempt Subsidiary" means Lockheed Martin Finance Corporation, Martin Marietta Materials, Inc. and any other entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body, the book value, net of depreciation, amortization and intercompany eliminations, of the assets of which, when aggregated with the book values, net of depreciation, amortization and intercompany eliminations, of the assets of any other Exempt Subsidiary other than Lockheed Martin Finance Corporation or Martin Marietta Materials, Inc., do not exceed a specified percentage of the value of total assets of Company and its consolidated subsidiaries, and which are designated as such by Company.

"Principal Property" defined as any manufacturing property with a book value, net of depreciation and amortization, in excess of $5,000,000 .

NO CONTRAVENTION: Execution, delivery and performance of Loan Agreement and Notes do not contravene, or constitute a default under, Company's or Guarantors' charter documents or any applicable laws or regulations or any agreements or instruments to which Company is a party which would be reasonably likely to have a Material Adverse Effect.

CORPORATE AUTHORIZATION: Company and Guarantors have taken all corporate action necessary for entering into Loan Agreement and Notes and consummating transaction thereunder; Loan Agreement and Notes are valid, binding and enforceable against Company and Guarantors, subject to bankruptcy and equity exceptions.

FINANCIAL INFORMATION: Pro forma financial statements delivered to Banks fairly present financial position as of date of such financial statements on a pro forma basis consistent with the assumptions stated therein; includes representation that no Material Adverse Effect has occurred since date of such financial statements.

LITIGATION; TAXES: No litigation exists against Company or any Subsidiary, an adverse determination of which is reasonably likely to occur and if so adversely determined would be reasonably likely to have a

	Material Adverse Effect and, at the time of the tender offer closing, there shall be (i) no injunction against consummation of the tender offer, (ii) no litigation pending or threatened which gives rise to a material likelihood that the merger will not be consummated or will be subject to the undue delay and (iii) no litigation pending or threatened, other than that as to which there is not a material likelihood of success, challenging the legality, validity or legal effect of the financing. Company and each Subsidiary have filed all material tax returns and paid all taxes due thereunder when due, except for those not delinquent, those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect and those contested in good faith.
GOVERNMENTAL APPROVALS:	No governmental consents or approvals required in connection with Loan Agreement and Notes, except routine filings under Securities Exchange Act of 1934 and the filing of International Capital Form CQ-1's.
MARGIN REGULATIONS:	No part of proceeds of Loans will be used in violation of Federal Reserve Regulation U, G, T and X.
PARI PASSU OBLIGATIONS:	Claims of other parties to Loan Agreement against Company will not be subordinate to, and will rank at least pari passu with, claims of other unsecured creditors of Company, except as may be provided for under applicable bankruptcy laws.
NO DEFAULTS:	No payment default in respect of Material Debt. "Material Debt" defined as debt of Company and/or one or more of its Subsidiaries exceeding $100,000,000 in an aggregate principal amount.
ERISA:	Company and related ERISA entities (the "ERISA Group") have fulfilled their obligations under minimum funding standards of ERISA and the Internal Revenue Code and are in substantial compliance with all material provisions of ERISA and Internal Revenue Code with respect to each ERISA plan. ERISA Group has not (i) sought a waiver of minimum funding standards, (ii) failed to make a contribution to any plan or made any amendment to any plan which could result in material lien or posting of material bonds or (iii) incurred material liability under Title IV of ERISA (other than for payment of premiums under ERISA).
DISCLOSURE:	Written information provided to the Banks in connection with Loan Agreement, collectively, does not contain any misstatement of a material fact or omit to state a fact necessary to make the statements contained therein, in light of the circumstances under

	which they were made, not misleading in any material respect on and as of the date of Loan Agreement.
ENVIRONMENTAL:	Based upon Company's periodic review of its ongoing operations (and those of its Restricted Subsidiaries), to the best knowledge of Company, ongoing operations at the Principal Properties are currently being conducted in substantial compliance with applicable environmental laws, except to the extent that noncompliance would not be reasonably likely to result in a material adverse change in the consolidated financial conditions of Company and its consolidated subsidiaries.
COVENANTS - ---------	Covenants customary for this type of transaction, including:
ACCOUNTING:	Except as otherwise specified, accounting measurements will be per GAAP as in effect from time to time. Company or Required Banks have ability to request covenant change if change in GAAP affects covenant; effect of change in GAAP then suspended until new covenant negotiated.
INFORMATION/REPORTING/DISTRIBUTION:	60 day delivery for quarterly financial reports and 120 day delivery for annual financial reports; delivery of such statements as filed with the SEC satisfies requirement. Documents distributed to shareholders or filed with the SEC (with certain exceptions) to be distributed to the Banks promptly after becoming available. Company to provide prompt notice of (i) the occurrence of any Default and (ii) certain litigation.
COMPUTATION OF COVENANTS:	Company to provide with each distribution of annual and quarterly financial statements computations of leverage ratio.
MAINTENANCE OF EXISTENCE:	Company and Significant Subsidiaries will preserve and maintain corporate existence. Company may terminate business or corporate existence of a Subsidiary which in Company's judgment is no longer necessary or desirable. Mergers, consolidations and transfers of assets permitted as set forth below. No prohibition on merger of a Subsidiary into Company, or merger or consolidation of a Subsidiary with or into another entity if surviving corporation is a Subsidiary and no Default shall have occurred and be continuing.
MERGERS, CONSOLIDATIONS & SALES OF ASSETS:	Merger, consolidation, transfer or conveyance of substantially all Company's assets prohibited unless resulting corporation is Company or a consolidated subsidiary that is a domestic corporation that expressly assumes payment of indebtedness and performance of covenants under Loan Agreement, no Default shall have occurred and be continuing after giving effect to transaction

	and if Company is not surviving corporation, there has been delivered an Officer's Certificate and legal opinion of its counsel stating that such transaction complies with Loan Agreement. Upon any such transaction, the entity formed by such transaction shall succeed to and be substituted for Company under Loan Agreement. This covenant shall not apply to any sale of Wing's stock, so long as it is margin stock, for value.
LIMITATION ON LIENS:	No liens on assets of the Company or any Restricted Subsidiary to secure Debt allowed except (i) liens existing on the date of Loan Agreement, (ii) liens on property of a corporation existing at the time the corporation is merged or consolidated with Company or a Restricted Subsidiary, (iii) liens securing debt owing to Company or another Restricted Subsidiary, (iv) mechanic's liens, (v) liens on property of a corporation existing at the time the corporation becomes a Restricted Subsidiary, (vi) liens on property at time of acquisition of property and purchase money liens, including liens incurred in connection with industrial revenue bonds, to secure payment of purchase price or indebtedness incurred or guaranteed prior to, at the time of or within one year after acquisition, completion of full operation of property if indebtedness incurred or guaranteed to pay purchase price of property or improvements, (vii) liens in favor of any customer (including any governmental authority) to secure partial, progress, advance or other payments or performance pursuant to any contract or statute or to secure any related indebtedness or to secure Debt guaranteed by a governmental authority, (viii) liens on cash or certificates of deposit or other bank obligations securing indebtedness in aggregate principal amount not in excess of $200,000,000 (which may be in a different currency) of an amount substantially equal in value (at the time the lien is created) to such cash, certificates of deposit or other obligations, (ix) any extension, renewal, replacement of the foregoing, (x) liens equally and ratably severing this credit facility and such Debt and (xi) liens not otherwise referred to securing Debt that does not in the aggregate exceed the greater of 10% of stockholders' equity at the end of the preceding fiscal quarter or $1,000,000,000. Liens described in (ii), (v) and (vi) shall not include any liens on stock or assets of "Wings" or its subsidiaries incurred in contemplation of the merger. This covenant shall not apply to margin stock in excess of 25% in value of the assets covered by this covenant.
PAYMENT OF OBLIGATIONS:	Company and each Significant Subsidiary will pay all material taxes, assessments, and governmental charges imposed upon it and all lawful material claims prior to date any penalty accrues or lien imposed except for (i) those contested in good faith, (ii) those not delinquent and (iii) those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect.

COMPLIANCE WITH LAWS:	Company and each Significant Subsidiary shall comply with all laws, a breach of which would be reasonably likely to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.
INSURANCE:	Company and each Significant Subsidiary will maintain insurance as is customarily carried by owners of similar businesses and properties (or to the customary extent, self-insurance).
MAINTENANCE OF PROPERTIES:	Company and its Significant Subsidiaries will keep all properties necessary in its business in good working order, normal wear and tear excepted; Company or any Subsidiary may discontinue operation and/or maintenance of such properties if discontinuance is in Company's (or such Subsidiary's) judgment desirable.
LEVERAGE RATIO:	Ratio of Debt (as defined) as of the last day of any fiscal quarter to the sum of (i) Debt (as defined) and (ii) Stockholders' Equity (as defined) at levels to be determined.
STOCKHOLDERS' EQUITY AS DEFINED:	Consolidated Stockholders' Equity of Company and consolidated Subsidiaries as reported.
DEBT AS DEFINED:	Debt shall mean, without duplication: (i) all debt, including ESOP guarantees and capitalized lease obligations, reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries, plus ---- (ii) all indebtedness for borrowed money and capitalized lease obligations incurred by third parties guaranteed by Company and its consolidated Subsidiaries not otherwise reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries.
USE OF LOANS:	Proceeds of the Loans may be used for any lawful corporate purpose.
WAIVERS:	Required Banks may waive compliance with any covenant (other than certain provisions relating to principal payments, fees, interest rate, due dates and guarantees, which require consent of all Banks).

EVENTS OF DEFAULT
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PRINCIPAL PAYMENTS:	Failure to pay when due.

INTEREST AND FACILITY FEE PAYMENTS:	Failure to pay within 5 days of due date.
OTHER FEES:	Failure to pay within 30 days after written request for payment thereof.
BREACH OF CERTAIN COVENANTS:	Failure to perform under the following covenants: 1) Merger/Consolidation Restrictions 2) Limitations on Liens 3) Leverage Ratio
BREACH OF OTHER COVENANTS:	Failure to perform within 30 days after written notice.
REPRESENTATIONS:	5 days to correct after written notice.
ACCELERATION OF DEBT:	Any Material Debt shall be accelerated by reasons of default thereunder or not paid when due and corrective action shall not have been taken within 5 days after written notice thereof.
BANKRUPTCY:	Company or any Significant Subsidiary shall commence voluntary proceeding under bankruptcy laws, or seek appointment of receiver or trustee, or shall consent to any of the foregoing; or makes a general assignment for benefit of creditors; or fails generally to pay its debts as they become due; or takes any corporate action to authorize the foregoing. Involuntary case or proceeding commenced against Company or any Significant Subsidiary seeking relief under bankruptcy laws or seeking appointment of trustee or receiver, and such proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against Company or any Significant Subsidiary under federal bankruptcy laws.
FINAL JUDGMENTS:	Final judgment requiring payment of $150,000,000 or more that has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.
ERISA:	A final judgment either (1) requiring termination or imposing liability under Title IV of ERISA (other than for premiums) in respect of, or requiring a trustee to be appointed pursuant to Title IV of ERISA to administer, any plan or plans having unfunded liabilities in excess of $150,000,000 or (2) in an action relating to a Multiemployer Plan involving a current payment obligation in excess of $150,000,000, which judgment in either case has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.

CHANGE IN OWNERSHIP OF STOCK:	Any person or group of persons (other than employee benefit or stock ownership plan of Company) has acquired shares of capital stock having ordinary voting power to elect a majority of the Board of Directors of Company or change in majority of Board of Directors within a two-year period.
GUARANTY INVALIDATED:	Revocation or invalidation of guaranty of the Loan Agreement and the Notes.
REMEDIES:	Commitments terminate and loan/interest become due and payable upon the receipt of notice from Documentation Agent (automatic in case of bankruptcy).
NOTICES OF DEFAULT:	All notices or requests specified in Events of Default provisions to be given by Documentation Agent at the request of the Required Banks.

MISCELLANEOUS
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GOVERNING LAW/SUBMISSION TO JURISDICTION:	New York law governs. Parties submit to the jurisdiction of New York courts for all legal proceedings and waive any objection to the laying of venue of any such proceeding brought in such a court and claim of inconvenient forum.
WAIVER OF JURY TRIAL:	Company, Agents and Banks each waive rights to trial by jury.
REQUIRED BANKS:	Banks holding in excess of 50% of outstanding Commitments.
INCREASED COSTS/CAPITAL ADEQUACY/ ILLEGALITY:	Increased cost/capital adequacy/ illegality provisions to be included and will generally provide that no increased cost or capital adequacy payment may be claimed if allocable to periods prior to 30 days prior to date Company is notified of claim by a Bank; no compensation for increases in capital not occasioned by a Change in Law or beyond that required by a Change in Law. Any Bank requesting additional compensation shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation or permit the Bank to make or maintain any LIBOR Loan, so long as such designation is not disadvantageous to such Bank. Any Regulation D charges shall be billed through Administrative Agent. "Change in Law" as defined is the adoption of any law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof, after Closing Date, by any governmental authority, central bank or comparable agency or

	compliance with any directive (whether or not having the force of law) of any such entity.
INDEMNITY:	Company to indemnify Banks for (i) funding costs and/or losses (excluding loss of margin) if prepayment or conversion of a LIBOR Loan or a CD Loan occurs prior to the end of an Interest Period or if Company fails to consummate a LIBOR Loan or a CD Loan because conditions precedent to borrowing or conversion not satisfied and (ii) reasonable costs and expenses of litigation in response to or in defense of any proceeding brought or threatened against a Bank relating to the Agreement or Company's use of proceeds of the Loans.
EXPENSES:	In connection with preparing Loan Agreement, Company will pay reasonable fees and disbursements of special counsel to Agents and reasonable out-of-pocket expenses incurred by Agents. In connection with an Event of Default and enforcement proceedings, Company will pay reasonable out-of-pocket expenses of Agents and Banks, including reasonable fees and expenses of counsel (including in-house counsel).
DOCUMENT PREPARATION:	Loan Agreement to be prepared by Davis Polk & Wardwell.

LOCKHEED MARTIN CORPORATION
PRICING SCHEDULE
364-DAY REVOLVER

The LIBOR Margin, the CD Margin and the Facility Fee shall be as specified below (in basis points per annum).

		LEVEL I	LEVEL II	LEVEL III	LEVEL IV
BASIS FOR PRICING		If Company is rated A or better by S&P or A2 or better by Moody's	If Company is rated A- or better by S&P or A3 or better by Moody's	If Company is rated BBB+ or better by S&P or Baa1 or better by Moody's	If Company is rated BBB or better by S&P or Baa2 or better by Moody's
FACILITY FEE		6.00	7.00	8.00	9.00
LIBOR +	Greater than 50%	16.50	18.00	22.00	26.00
	Less than 50%	16.50	18.00	27.00	31.00
CD +	Greater than 50%	29.00	30.50	34.50	38.50
	Less than 50%	29.00	30.50	39.50	43.50
UNUSED COST		6.00	7.00	8.00	9.00
USED COST	Greater than 50%	22.50	25.00	30.00	35.00
	Less than 50%	22.50	25.00	35.00	40.00

SUMMARY OF TERMS AND CONDITIONS
FOR LOCKHEED MARTIN CORPORATION

BORROWER:	Lockheed Martin Corporation ("Company"), directly or indirectly through LAC Acquisition Corp.
AMOUNT:	$5,000,000,000.
PURPOSE:	The purchase of the common stock of "Wings" and general corporate purposes including commercial paper backup.
ARRANGER AND SYNDICATION AGENT:	J.P. Morgan Securities Inc.
CO-ARRANGER:	BA Securities, Inc.
MANAGING AGENTS:	Citibank, N.A.
DOCUMENTATION AGENT:	Morgan Guaranty Trust Company of New York.
ADMINISTRATIVE AGENT:	Bank of America National Trust and Savings Association.
FACILITY DESCRIPTION:	Five-year facility on a fully revolving basis.
BORROWING OPTIONS:	Committed Loans consisting of Base Rate Loans, CD Loans and LIBOR Loans. Uncommitted Money Market bid rate options ("Money Market Loans").
LENDERS:	Syndicate of lenders acceptable to Company and Arranger ("Banks").
TIMING:	Closing to occur by May 1996.
GUARANTORS:	Lockheed Corporation, Martin Marietta Corporation, Martin Marietta Technologies, Inc., LAC Acquisition Corporation or the Company if LAC Acquisition Corp. is the Borrower .
COMMITMENTS AND FEES:	
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COMMITMENT:	With respect to Committed Loans, each Bank will fund each draw in proportion to its Commitment. With respect to Money Market Loans, each Bank may, but shall have no obligation to, make offers to make such Loans pursuant to requests submitted by Company. Drawdown of Money

	Market Loans will be deemed a use of Commitments of all Banks on pro rata basis.
REDUCTION OR CANCELLATION OF COMMITMENTS:	Commitments cancelable in whole or in part (ratably reduced in amounts of at least $25,000,000 and multiples of $5,000,000 in excess thereof) at election of Company upon not less than three business days' notice.
TERMINATION OF BANKS/REPLACING BANKS:	Company may terminate the entire Commitment of any Bank upon 10 business days' notice if a Bank demands increased costs or capital adequacy payments from Company or if the commitment of a Bank to make LIBOR Loans is suspended due to its inability to make such Loans. Company may replace such Bank with a new or existing Bank.
FACILITY FEE:	To be paid quarterly in arrears on the daily average of the total Commitments at a rate determined by reference to attached Pricing Schedule. Facility Fee will increase if ratings downgraded and decrease if ratings upgraded. Facility Fee computed on the basis of a year of 365 or 366 days over the actual number of days elapsed. Any change in Facility Fee shall become effective the day on which a rating agency shall have announced a ratings change.
INTEREST RATES - ----------	
INTEREST RATE OPTIONS:	LIBOR, CD Rate or Base Rate at the election of Company.
LIBOR INTEREST PERIOD OPTIONS:	One, two, three or six months, as selected by Company. Twelve-month LIBOR option available upon request of Company and consent of all Banks.
CD RATE INTEREST PERIOD OPTIONS:	30, 60, 90 or 180 days, as selected by Company.
RATE BASIS:	LIBOR CD Rate - Adjusted CD Rate. 3 LIBOR/CD Reference Banks to be appointed. Base Rate - higher of Reference Rate as announced by Administrative Agent or federal funds rate plus .5%. Any change in Base Rate effective on the day change is announced by Administrative Agent.

INTEREST PAYMENT:	Interest on LIBOR Loans, CD Loans and Base Rate Loans (if federal funds rate is effective rate) shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Interest on Base Rate Loans (if Reference Rate is effective rate) shall be computed on the basis of a year of 365 or 366 days, as the case may be, and paid for the actual number of days elapsed. Interest accrued on Base Rate Loans shall be paid quarterly. Interest accrued on LIBOR Loans shall be paid on the last day of the Interest Period, on the date of any prepayment or conversion thereof, together with breakage costs, if any, and in the case of a LIBOR Loan with an Interest Period of twelve-months, on the six-month anniversary of the making of the LIBOR Loan. Interest accrued on CD Loans shall be paid on the last day of the Interest Period and on the date of any prepayment or conversion thereof, together with breakage costs, if any. If any CD Loan or portion thereof shall have an Interest Period of less than 30 days, such portion shall bear interest at the Base Rate during such period. Interest obligations accrue from the day funds are received through the day before principal is repaid.
RATE SPREAD:	For Base Rate Loans, Base Rate. For LIBOR Loans, LIBOR plus LIBOR Margin. For CD Loans, Adjusted CD Rate plus CD Margin. LIBOR Margin and CD Margin determined by reference to attached Pricing Schedule. LIBOR Margin and CD Margin will increase if ratings downgraded and decrease if ratings upgraded. Any change in the LIBOR Margin or CD Margin shall become effective for LIBOR Loans or CD Loans, as applicable, the day on which a rating agency shall have announced a ratings change.
POST DEFAULT RATE:	2% per annum above the Base Rate for such date.
BORROWING PROCEDURES - ----------	
MINIMUM DRAW:	$10,000,000 with additional increments of $1,000,000. No per draw limit up to total unused Commitments.
NOTIFICATION/TIMING:	Base Rate: To Administrative Agent, by 11:00 a.m. New York City time on day of draw. LIBOR: To Administrative Agent, by 1:00 p.m. New York City time, 3 business days before draw or, in the case of an Interest Period of twelve-months, by 1:00 p.m. New York City time, 4 business days before draw.

CD Rate: To Administrative Agent, by 1:00 p.m. New York City time, 2 business days before draw.

An officer or a Designated Representative (certain designated employees) to provide notice to Administrative Agent. An officer or Designated Representative may provide telephonic notice, to be followed by appropriately authorized written notice.

FUND DELIVERY: Banks to deliver funds to Administrative Agent by 1:00 p.m. New York City time. Administrative Agent to wire transfer loan principal (U.S. Dollars) in immediately available funds to an account to be designated by Company immediately upon receipt, but not later than 4:00 p.m. New York City time. Administrative Agent may make up a shortfall of funds received. Any Bank not making its pro rata share of any Loan available to Administrative Agent and Company, if it does not repay such share of any Loan, at the required date and time severally agree to repay Administrative Agent such shortfall, with interest (at the federal funds rate). If a Bank fails to fund a Loan, amounts received by Administrative Agent will be deemed to have been paid to Bank and made available to Administrative Agent for the Loan.

CONVERSION/CONTINUATION: Company may (i) convert all or any portion of outstanding Base Rate Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to LIBOR Loans or CD Loans, (ii) convert all or any portion of outstanding LIBOR Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or CD Loans, and (iii) convert all or any portion of outstanding CD Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof to Base Rate Loans or LIBOR Loans. Upon the expiration of any Interest Period applicable to a LIBOR Loan or a CD Loan, Company may continue all or any portion of such Loans equal to $10,000,000 and multiples of $1,000,000 in excess thereof as LIBOR Loans or CD Loans, as applicable. Written or telephonic notice of such conversion/continuation shall be delivered to Administrative Agent no later than (i) 1:00 p.m. New York City time (a) at least 3 business days in advance of the proposed date of conversion to or continuation of LIBOR Loans or (b) at least 2 business days in advance of the proposed date of conversion to or continuation of CD Loans and (ii) 11:00 a.m. New York City time on the day of the proposed conversion to a Base Rate Loan. Telephonic notice of conversion/continuation to be promptly followed by a written notice thereof. If timely notice of conversion/continuation not provided by Company as to any LIBOR loan or CD Loan and such Loan is not repaid by

Company at the end of the applicable Interest Period thereof, such Loan shall be converted to a Base Rate Loan.

PREPAYMENTS: Base Rate Loans can be repaid in whole or in part on any day without penalty or premium. CD Loans can be repaid with 1 business day's notice. LIBOR Loans can be repaid with 3 business days' notice. Each partial prepayment shall be in an aggregate amount of not less than $10,000,000 and shall include interest accrued on the Loans to the prepayment date and any breakage costs (excluding loss of Margin).

PAYMENTS TO BANKS: All payments by Company to Banks under Loan Agreement are to be in U.S. Dollars, free of taxes, and wire transferred to Administrative Agent in immediately available funds no later than 2:00 p.m. New York City time.

PARTICIPATIONS/ASSIGNMENTS: Assignments may be made to Eligible Institutions with the prior notification to the Administrative Agent and prior written consent of Company, which shall not be unreasonably withheld, in minimum amounts of $15,000,000. Withholding of consent is not unreasonable if based solely on desire to manage loan exposures to proposed assignee or avoid payment of additional increased costs of taxes payable by Company by reason of such assignment. No Company consent required for assignment to an affiliate of a Bank. Each Bank must retain at least $15,000,000 commitment. Participations permitted without consent of Company upon prior written notification to Company (no prior notification required in the case of participations of Money Market Loans). Transferability of voting rights limited to change in principal, rate, fees and term. "Eligible Institution" means any commercial bank having total assets in excess of $3,000,000,000 or the equivalent amount of local currency of such bank or affiliates of such bank that are financial institutions.

CONDITIONS PRECEDENT
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(A) Effectiveness of Loan Agreement: customary for this type of transaction, including:

1) termination of, and payment of amounts due under, existing revolving credit agreements.

2) execution and delivery of:

a) opinion of General Counsel or Assistant General Counsel to Company and opinion of special counsel to company;

b) opinion of Bank counsel;

c) certified copies of charters, bylaws, and corporate action authoring Loan Agreement;

d) note for each Bank, if requested;

e) certificate indicating incumbency and signatures of officers signing Loan Agreement and those officers and employees authorized to give notice of borrowing; and

f) LAC and Wings shall have entered into a merger agreement in form and substance satisfactory to the Banks providing for the acquisition to be effected by a cash tender offer for at least 66% of Wing's common stock and subsequent merger.

(g) terms and conditions of the tender offer shall be in substance as disclosed to the Banks prior to their commitments but shall in all events include that LAC shall own and control the number of shares of Wing's common stock as shall be necessary to approve the merger without the affirmative vote or approval of any other shareholders; the conditions to the consummation of the tender offer shall have been satisfied and shall not have been waived, except for conditions (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and tendered shares shall have been accepted for payment pursuant to the tender offer in accordance with the terms of the tender offer.

(h) evidence satisfaction to the Documentation Agent and Administrative Agent that all other necessary licenses, permits and governmental and third-party filings, consents and approvals for the acquisition and merger have been made or obtained and remain in full force and effect, except for those (x) not material to the combined entity or the prospects and timing of the consummation of the merger and (y) not relating to the legality, validity or legal effect of the financing; and the tender offer and the financing thereof shall be in compliance with all laws and regulations (including, without limitation, the margin regulations).

(B) All Loans: (i) accuracy of Representations and Warranties, with the exception, for Loans other than the tender offer funding, of the representations concerning litigation, taxes, ERISA, no Material Adverse Effect since date of pro forma financial statements delivered to Banks and environmental matters and (ii) no Event of Default.

REPRESENTATIONS AND WARRANTIES

CORPORATE EXISTENCE & POWER: Company and its Significant Subsidiaries duly organized, validly existing and in good standing in respective state of incorporation and qualified to do business where necessary, except where failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Company has all necessary corporate power to enter into and perform under Loan Agreement and Notes.

"Material Adverse Effect" means a material adverse effect on (a) ability of Company to perform obligations under Agreement or Notes, (b) validity or enforceability of Agreement or Notes, (c) rights and remedies of any Bank or Agents or (d) timely payment of principal of or interest on the Loans or other amounts paid in connection therewith.

"Significant Subsidiary" means a Subsidiary with total assets, net of depreciation and amortization and after intercompany eliminations, in excess of $100,000,000.

"Subsidiary" as defined does not include any Exempt Subsidiary, but otherwise means any entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body.

"Restricted Subsidiary" means any Significant Subsidiary, any Subsidiary that has substantially all of its property located in the United States and that owns a Principal Property and any other Subsidiary designated from time to time by the Company as a "Restricted Subsidiary." Subsidiaries of a Restricted Subsidiary are not Restricted Subsidiaries solely by virtue of such Subsidiary status. If at the end of any fiscal quarter, the aggregate net assets of the Company and all of its Restricted Subsidiaries are less than a specified percentage of the total net assets of the Company and its Subsidiaries taken as a whole, as reported in the Company's financial statements (the "Total Net Assets") , the Company shall designate another Subsidiary or Subsidiaries as Restricted Subsidiaries such that the net assets of such Subsidiary or Subsidiaries that are not encumbered to secure Debt, plus the net assets of the Company and the other Restricted Subsidiaries, equals or exceeds a specified percentage of the Total Net Assets.

Thereafter, the Company may designate a Subsidiary or Subsidiaries (other than a Restricted Subsidiary as defined without regard to any prior such designations by the Company) as no longer a Restricted Subsidiary, provided that the aggregate net assets of the Company and all of its Restricted Subsidiaries after giving effect thereto shall equal or exceed a specified percentage of the Total Net Assets.

"Exempt Subsidiary" means Lockheed Martin Finance Corporation, Martin Marietta Materials, Inc. and any other entity of which Company owns a sufficient number of securities having ordinary voting power to elect a majority of the board of directors or other governing body, the book value, net of depreciation, amortization and intercompany eliminations, of the assets of which, when aggregated with the book values, net of depreciation, amortization and intercompany eliminations, of the assets of any other Exempt Subsidiary other than Lockheed Martin Finance Corporation or Martin Marietta Materials, Inc., do not exceed a specified percentage of the value of total assets of Company and its consolidated subsidiaries, and which are designated as such by Company.

"Principal Property" defined as any manufacturing property with a book value, net of depreciation and amortization, in excess of $5,000,000.

NO CONTRAVENTION: Execution, delivery and performance of Loan Agreement and Notes do not contravene, or constitute a default under, Company's or Guarantors' charter documents or any applicable laws or regulations or any agreements or instruments to which Company is a party which would be reasonably likely to have a Material Adverse Effect.

CORPORATE AUTHORIZATION: Company and Guarantors have taken all corporate action necessary for entering into Loan Agreement and Notes and consummating transaction thereunder; Loan Agreement and Notes are valid, binding and enforceable against Company and Guarantors, subject to bankruptcy and equity exceptions.

FINANCIAL INFORMATION: Pro forma financial statements delivered to Banks fairly present financial position as of date of such financial statements on a pro forma basis consistent with the assumptions stated therein; includes representation that no Material Adverse Effect has occurred since date of such financial statements.

LITIGATION; TAXES: No litigation exists against Company or any Subsidiary, an adverse determination of which is reasonably likely to occur and if so adversely determined would be reasonably likely to have a

	Material Adverse Effect and, at the time of the tender offer closing, there shall be (i) no injunction against consummation of the tender offer, (ii) no litigation pending or threatened which gives rise to a material likelihood that the merger will not be consummated or will be subject to the undue delay and (iii) no litigation pending or threatened, other than that as to which there is not a material likelihood of success, challenging the legality, validity or legal effect of the financing. Company and each Subsidiary have filed all material tax returns and paid all taxes due thereunder when due, except for those not delinquent, those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect and those contested in good faith.
GOVERNMENTAL APPROVALS:	No governmental consents or approvals required in connection with Loan Agreement and Notes, except routine filings under Securities Exchange Act of 1934 and the filing of International Capital Form CQ-1's.
MARGIN REGULATIONS:	No part of proceeds of Loans will be used in violation of Federal Reserve Regulation U, G, T and X.
PARI PASSU OBLIGATIONS:	Claims of other parties to Loan Agreement against Company will not be subordinate to, and will rank at least pari passu with, claims of other unsecured creditors of Company, except as may be provided for under applicable bankruptcy laws.
NO DEFAULTS:	No payment default in respect of Material Debt. "Material Debt" defined as debt of Company and/or one or more of its Subsidiaries exceeding $100,000,000 in an aggregate principal amount.
ERISA:	Company and related ERISA entities (the "ERISA Group") have fulfilled their obligations under minimum funding standards of ERISA and the Internal Revenue Code and are in substantial compliance with all material provisions of ERISA and Internal Revenue Code with respect to each ERISA plan. ERISA Group has not (i) sought a waiver of minimum funding standards, (ii) failed to make a contribution to any plan or made any amendment to any plan which could result in material lien or posting of material bonds or (iii) incurred material liability under Title IV of ERISA (other than for payment of premiums under ERISA).
DISCLOSURE:	Written information provided to the Banks in connection with Loan Agreement, collectively, does not contain any misstatement of a material fact or omit to state a fact necessary to make the statements contained therein, in light of the circumstances under

	which they were made, not misleading in any material respect on and as of the date of Loan Agreement.
ENVIRONMENTAL:	Based upon Company's periodic review of its ongoing operations (and those of its Restricted Subsidiaries), to the best knowledge of Company, ongoing operations at the Principal Properties are currently being conducted in substantial compliance with applicable environmental laws, except to the extent that noncompliance would not be reasonably likely to result in a material adverse change in the consolidated financial conditions of Company and its consolidated subsidiaries.
COVENANTS - ---------	Covenants customary for this type of transaction, including:
ACCOUNTING:	Except as otherwise specified, accounting measurements will be per GAAP as in effect from time to time. Company or Required Banks have ability to request covenant change if change in GAAP affects covenant; effect of change in GAAP then suspended until new covenant negotiated.
INFORMATION/REPORTING/DISTRIBUTION:	60 day delivery for quarterly financial reports and 120 day delivery for annual financial reports; delivery of such statements as filed with the SEC satisfies requirement. Documents distributed to shareholders or filed with the SEC (with certain exceptions) to be distributed to the Banks promptly after becoming available. Company to provide prompt notice of (i) the occurrence of any Default and (ii) certain litigation.
COMPUTATION OF COVENANTS:	Company to provide with each distribution of annual and quarterly financial statements computations of leverage ratio.
MAINTENANCE OF EXISTENCE:	Company and Significant Subsidiaries will preserve and maintain corporate existence. Company may terminate business or corporate existence of a Subsidiary which in Company's judgment is no longer necessary or desirable. Mergers, consolidations and transfers of assets permitted as set forth below. No prohibition on merger of a Subsidiary into Company, or merger or consolidation of a Subsidiary with or into another entity if surviving corporation is a Subsidiary and no Default shall have occurred and be continuing.
MERGERS, CONSOLIDATIONS & SALES OF ASSETS:	Merger, consolidation, transfer or conveyance of substantially all Company's assets prohibited unless resulting corporation is Company or a consolidated subsidiary that is a domestic corporation that expressly assumes payment of indebtedness and performance of covenants under Loan Agreement, no Default shall have occurred and be continuing after giving effect to transaction

	and if Company is not surviving corporation, there has been delivered an Officer's Certificate and legal opinion of its counsel stating that such transaction complies with Loan Agreement. Upon any such transaction, the entity formed by such transaction shall succeed to and be substituted for Company under Loan Agreement. This covenant shall not apply to any sale of Wing's stock, so long as it is margin stock, for value.
LIMITATION ON LIENS:	No liens on assets of the Company or any Restricted Subsidiary to secure Debt allowed except (i) liens existing on the date of Loan Agreement, (ii) liens on property of a corporation existing at the time the corporation is merged or consolidated with Company or a Restricted Subsidiary, (iii) liens securing debt owing to Company or another Restricted Subsidiary, (iv) mechanic's liens, (v) liens on property of a corporation existing at the time the corporation becomes a Restricted Subsidiary, (vi) liens on property at time of acquisition of property and purchase money liens, including liens incurred in connection with industrial revenue bonds, to secure payment of purchase price or indebtedness incurred or guaranteed prior to, at the time of or within one year after acquisition, completion of full operation of property if indebtedness incurred or guaranteed to pay purchase price of property or improvements, (vii) liens in favor of any customer (including any governmental authority) to secure partial, progress, advance or other payments or performance pursuant to any contract or statute or to secure any related indebtedness or to secure Debt guaranteed by a governmental authority, (viii) liens on cash or certificates of deposit or other bank obligations securing indebtedness in aggregate principal amount not in excess of $200,000,000 (which may be in a different currency) of an amount substantially equal in value (at the time the lien is created) to such cash, certificates of deposit or other obligations, (ix) any extension, renewal, replacement of the foregoing, (x) liens equally and ratably severing this credit facility and such Debt and (xi) liens not otherwise referred to securing Debt that does not in the aggregate exceed the greater of 10% of stockholders' equity at the end of the preceding fiscal quarter or $1,000,000,000. Liens described in (ii), (v) and (vi) shall not include any liens on stock or assets of "Wings" or its subsidiaries incurred in contemplation of the merger. This covenant shall not apply to margin stock in excess of 25% in value of the assets covered by this covenant.
PAYMENT OF OBLIGATIONS:	Company and each Significant Subsidiary will pay all material taxes, assessments, and governmental charges imposed upon it and all lawful material claims prior to date any penalty accrues or lien imposed except for (i) those contested in good faith, (ii) those not delinquent and (iii) those the nonpayment of which would not be reasonably likely to result in a Material Adverse Effect.

COMPLIANCE WITH LAWS:	Company and each Significant Subsidiary shall comply with all laws, a breach of which would be reasonably likely to have a Material Adverse Effect, except where contested in good faith and by proper proceedings.
INSURANCE:	Company and each Significant Subsidiary will maintain insurance as is customarily carried by owners of similar businesses and properties (or to the customary extent, self-insurance).
MAINTENANCE OF PROPERTIES:	Company and its Significant Subsidiaries will keep all properties necessary in its business in good working order, normal wear and tear excepted; Company or any Subsidiary may discontinue operation and/or maintenance of such properties if discontinuance is in Company's (or such Subsidiary's) judgment desirable.
LEVERAGE RATIO:	Ratio of Debt (as defined) as of the last day of any fiscal quarter to the sum of (i) Debt (as defined) and (ii) Stockholders' Equity (as defined) at levels to be determined.
STOCKHOLDERS' EQUITY AS DEFINED:	Consolidated Stockholders' Equity of Company and consolidated Subsidiaries as reported.
DEBT AS DEFINED:	Debt shall mean, without duplication:
	(i) all debt, including ESOP guarantees and capitalized lease obligations, reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries, plus
	(ii) all indebtedness for borrowed money and capitalized lease obligations incurred by third parties guaranteed by Company and its consolidated Subsidiaries not otherwise reported as debt in the consolidated financial statements of the Company and its consolidated Subsidiaries.
USE OF LOANS:	Proceeds of the Loans may be used for any lawful corporate purpose.
WAIVERS:	Required Banks may waive compliance with any covenant (other than certain provisions relating to principal payments, fees, interest rate, due dates and guarantees, which require consent of all Banks).
EVENTS OF DEFAULT	
PRINCIPAL PAYMENTS:	Failure to pay when due.

INTEREST AND FACILITY FEE PAYMENTS:	Failure to pay within 5 days of due date.
OTHER FEES:	Failure to pay within 30 days after written request for payment thereof.
BREACH OF CERTAIN COVENANTS:	Failure to perform under the following covenants: 1) Merger/Consolidation Restrictions 2) Limitations on Liens 3) Leverage Ratio
BREACH OF OTHER COVENANTS:	Failure to perform within 30 days after written notice.
REPRESENTATIONS:	5 days to correct after written notice.
ACCELERATION OF DEBT:	Any Material Debt shall be accelerated by reasons of default thereunder or not paid when due and corrective action shall not have been taken within 5 days after written notice thereof.
BANKRUPTCY:	Company or any Significant Subsidiary shall commence voluntary proceeding under bankruptcy laws, or seek appointment of receiver or trustee, or shall consent to any of the foregoing; or makes a general assignment for benefit of creditors; or fails generally to pay its debts as they become due; or takes any corporate action to authorize the foregoing. Involuntary case or proceeding commenced against Company or any Significant Subsidiary seeking relief under bankruptcy laws or seeking appointment of trustee or receiver, and such proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against Company or any Significant Subsidiary under federal bankruptcy laws.
FINAL JUDGMENTS:	Final judgment requiring payment of $150,000,000 or more that has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.
ERISA:	A final judgment either (1) requiring termination or imposing liability under Title IV of ERISA (other than for premiums) in respect of, or requiring a trustee to be appointed pursuant to Title IV of ERISA to administer, any plan or plans having unfunded liabilities in excess of $150,000,000 or (2) in an action relating to a Multiemployer Plan involving a current payment obligation in excess of $150,000,000, which judgment in either case has not been satisfied or stayed within 60 days and such failure to satisfy or stay is unremedied for 5 days after notice.

CHANGE IN OWNERSHIP OF STOCK:	Any person or group of persons (other than employee benefit or stock ownership plan of Company) has acquired shares of capital stock having ordinary voting power to elect a majority of the Board of Directors of Company or change in majority of Board of Directors within a two-year period.
GUARANTY INVALIDATED:	Revocation or invalidation of guaranty of the Loan Agreement and the Notes.
REMEDIES:	Commitments terminate and loan/interest become due and payable upon the receipt of notice from Documentation Agent (automatic in case of bankruptcy).
NOTICES OF DEFAULT:	All notices or requests specified in Events of Default provisions to be given by Documentation Agent at the request of the Required Banks.

MISCELLANEOUS
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GOVERNING LAW/SUBMISSION TO JURISDICTION:	New York law governs. Parties submit to the jurisdiction of New York courts for all legal proceedings and waive any objection to the laying of venue of any such proceeding brought in such a court and claim of inconvenient forum.
WAIVER OF JURY TRIAL:	Company, Agents and Banks each waive rights to trial by jury.
REQUIRED BANKS:	Banks holding in excess of 50% of outstanding Commitments.
INCREASED COSTS/CAPITAL ADEQUACY/ ILLEGALITY:	Increased cost/capital adequacy/ illegality provisions to be included and will generally provide that no increased cost or capital adequacy payment may be claimed if allocable to periods prior to 30 days prior to date Company is notified of claim by a Bank; no compensation for increases in capital not occasioned by a Change in Law or beyond that required by a Change in Law. Any Bank requesting additional compensation shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation or permit the Bank to make or maintain any LIBOR Loan, so long as such designation is not disadvantageous to such Bank. Any Regulation D charges shall be billed through Administrative Agent. "Change in Law" as defined is the adoption of any law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof, after Closing Date, by any governmental authority, central bank or comparable agency or

	compliance with any directive (whether or not having the force of law) of any such entity.
INDEMNITY:	Company to indemnify Banks for (i) funding costs and/or losses (excluding loss of margin) if prepayment or conversion of a LIBOR Loan or a CD Loan occurs prior to the end of an Interest Period or if Company fails to consummate a LIBOR Loan or a CD Loan because conditions precedent to borrowing or conversion not satisfied and (ii) reasonable costs and expenses of litigation in response to or in defense of any proceeding brought or threatened against a Bank relating to the Agreement or Company's use of proceeds of the Loans.
EXPENSES:	In connection with preparing Loan Agreement, Company will pay reasonable fees and disbursements of special counsel to Agents and reasonable out-of-pocket expenses incurred by Agents. In connection with an Event of Default and enforcement proceedings, Company will pay reasonable out-of-pocket expenses of Agents and Banks, including reasonable fees and expenses of counsel (including in-house counsel).
DOCUMENT PREPARATION:	Loan Agreement to be prepared by Davis Polk & Wardwell.

LOCKHEED MARTIN CORPORATION
PRICING SCHEDULE
FIVE YEAR REVOLVER

The LIBOR Margin, the CD Margin and the Facility Fee shall be as specified below (in basis points per annum).

		LEVEL I	LEVEL II	LEVEL III	LEVEL IV	LEVEL V	LEVEL VI
BASIS FOR PRICING		If Company is rated A or better by S&P or A2 or better by Moody's	If Company is rated A- or better by S&P or A3 or better by Moody's	If Company is rated BBB+ or better by S&P or Baa1 or better by Moody's	If Company is rated BBB or better by S&P or Baa2 or better by Moody's	If Company is rated BBB- by S&P and Baa3 by Moody's	If Company is rated lower than BBB- by S&P or Baa3 by Moody's or is unrated and no other level applies
FACILITY FEE		8.00	10.00	11.00	13.75	17.50	25.00
LIBOR +	Greater than 50%	14.50	15.00	19.00	21.25	32.50	50.00
	Less than 50%	14.50	15.00	24.00	26.25	37.50	50.00
CD +	Greater than 50%	27.00	27.50	31.50	33.75	45.00	62.50
	Less than 50%	27.00	27.50	36.50	38.75	50.00	62.50
UNUSED COST		8.00	10.00	11.00	13.75	17.50	25.00
USED COST	Greater than 50%	22.50	25.00	30.00	35.00	50.00	75.00
	Less than 50%	22.50	25.00	35.00	40.00	55.00	75.00

January 7, 1996 [LOGO - JP MORGAN]

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817

Attention: Mr. Walter E. Skowronski
Vice President and Treasurer

Ladies and Gentlemen:

We understand that Lockheed Martin Corporation (the "Borrower"), directly or indirectly through a wholly owned subsidiary, intends to purchase the common stock of "Wings" in a transaction to be agreed to by the respective Boards of Directors of the Borrower and "Wings" (the "Transaction"). The financing for such purchase would be effected by a syndicated loan financing. You have requested J.P. Morgan Securities Inc. ("JPMSI") to arrange and BA Securities, Inc. ("BASI") to co-arrange financing in the syndicated bank market for an amount up to $10,000,000,000 for the Borrower in connection with the Transaction (the "Proposed Financing").

By separate letters dated as of the date hereof, each of Morgan Guaranty Trust Company of New York and Bank of America National Trust and Savings Association have committed to provide up to $1,375,000,000 of the Proposed Financing (the "Commitment Letters"). In response to your request in connection with the Transaction and the Proposed Financing, please be advised that we are highly confident that we will be able to arrange a syndicate of lenders for the balance of the maximum aggregate amount of the Proposed Financing on the terms contemplated by the Commitment Letters. The foregoing is based upon our knowledge and experience in the loan syndication market and subject to the assumptions set forth below.

Our view is based on and subject to, among other factors, (i) our consideration of the information the Borrower has supplied to us to date (without any independent investigation) and our consideration of the information available concerning the Borrower and "Wings" under the Securities Exchange Act of 1934; (ii) the absence of adverse changes in the relevant markets or in the regulatory environment, and the absence of any domestic or international event, act or occurrence ("Disruption"), that in our reasonable judgment is likely to materially and adversely affect the syndication of the Proposed Financing; it being understood that there can be no assurance that such markets or regulatory environment will not so change, or that such Disruption will not occur, in the future; (iii) our present understanding of the terms upon which the Borrower intends to effect the Transaction (including the terms contemplated by the Commitment Letters); (iv) representations by the Borrower to us of its willingness to

cooperate with us in structuring an appropriate credit facility; (v) our current understanding of the proposed capital structure and investment grade status of the Borrower after giving effect to any financing referred to herein; (vi) the absence of material adverse changes in the financial condition, business, assets, or results of operations of the Borrower or "Wings" and (vii) any necessary actions by or restrictions of federal, state, or other governmental agencies or regulatory authorities in connection with the Transaction.

Please be advised that this letter is not a commitment to obtain financing for the Transaction and creates no obligation on our part in connection therewith.

This letter is intended solely for the use of the Borrower and not any other person and may not be used or relied upon by, or disclosed, referred to or communicated by you (in whole or in part) to any third party for any purpose whatsoever (except to your professional advisors, "Wings" and its professional advisors for their purposes in evaluating the Borrower's proposal with respect to the Transaction and as may otherwise be required by law in the opinion of your counsel), except with our prior written permission and except that you may disclose the contents of this letter and include a copy of the letter in your Schedule 14D-1 to be filed with the Securities and Exchange Commission and the Offer to Purchase included therein.

We look forward to working with you on this transaction.

Sincerely,

J.P. MORGAN SECURITIES INC.

By: /s/ Michael C. Mauer
_____
Name: Michael C. Mauer
Title: Vice President

CONFIDENTIALITY AND STANDSTILL AGREEMENT

This agreement will confirm our possible interest in preliminary discussions ("DISCUSSIONS") which might lead to some form of negotiated transaction between the parties (the "TRANSACTION"). During such Discussions, we, which term (as well as the terms "us" and "party" when referring to Lockheed Martin Corporation shall include Lockheed Martin Corporation and its affiliates and their directors, officers, employees and Representatives (as hereinafter defined) and you, which term (as well as the term "party" when referring to Loral Corporation shall include Loral Corporation and its affiliates and their directors, officers, employees and Representatives, may determine that it is necessary and appropriate to exchange certain information relating to us or you respectively. Any such information (whether written or oral) furnished (whether before or after the date hereof) by you to us or by us to you, including your or our respective financial advisors, attorneys, accountants or agents (collectively, "REPRESENTATIVES") and all analyses, compilations, forecasts, studies or other documents prepared by you or by us in connection with your or our review of, or interest in, the Discussions or the Transactions which contain or reflect any such information is hereinafter referred to as the "INFORMATION." The term Information will not include information which (i) is or becomes publicly available other than as a result of a disclosure by the receiving party or (ii) is or becomes available to the receiving party on a nonconfidential basis from a source (other than that party) which, to the best of the receiving party's knowledge, is not prohibited from disclosing such information to it by a legal, contractual or fiduciary obligation, or (iii) is independently developed by the receiving party without reference to the Information.

Accordingly, it is hereby agreed that:

1. Each of the parties (i) will keep the Information confidential and will not (except as required by applicable law, regulation or legal process, and only after compliance with paragraph 3 below), without the prior written consent to the party which furnished the Information, disclose the Information in any manner whatsoever, and (ii) will not use the Information other than in connection with the Transaction. Information may be revealed to a receiving party's Representatives only if such Representatives (a) need to know the Information for the purpose of evaluating, or advising the receiving party with respect to the Transaction, (b) are informed of the confidential nature of the Information and (c) agree to act in accordance with the terms of this agreement.

2. Each of the parties will not (except as required by applicable law, regulation or legal process, and only after compliance with paragraph 3 below), without the other party's prior written consent, disclose to any person the fact that the Information exists or has been made available, that either party is considering the Transaction, or that discussions or negotiations are taking or have taken place concerning the Transactions or any term, condition or other fact relating to any such Transaction or such discussions or negotiations, including, without limitation, the status thereof.

3. In the event that we are requested pursuant to, or required by, applicable law, regulation or legal process to disclose any of the Information, we will notify you promptly so that you may seek a protective order or other appropriate remedy or, in your sole discretion, waive compliance with the terms of this agreement. Similarly, in the event that you are requested pursuant to, or required by, applicable law, regulation or legal process to disclose any of the Information provided by us, you will notify us promptly so that we may seek a protective order or other appropriate remedy or in our sole discretion, waive compliance with the terms of this agreement. In the event that no such protective order or other remedy is obtained, that we or you waive compliance with the terms of this agreement, or that disclosure is legally required, the disclosing party will furnish only that portion of the information which it is advised by counsel is legally required and will exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Information.

4. If either party determines to cease discussions and/or not to proceed with a Transaction, it will promptly inform the other party of that decision. In that case, each party at its sole election will either (i) promptly destroy all copies of the written Information in its possession and confirm such destruction to the other party in writing, or (ii) promptly deliver to the other party at the returning party's expense all copies of the written Information in its possession.

5. The parties acknowledge that neither party or any of its controlling persons within the meaning of Section 20 of the Securities Exchange Act of 1934, as amended, makes any express or implied representation or warranty as to the accuracy or completeness of the Information furnished to the other party, and the parties agree that no such person will have any liability relating to the Information or for any errors therein or omissions therefrom. The parties further agree that they are not entitled to rely on the accuracy or completeness of the Information and that they will be entitled to rely solely on such representations and warranties as may be included in any definitive agreement with respect to a Transaction, subject to such limitation and restrictions as may be contained therein.

6. The parties acknowledge that they are aware of the restrictions imposed by the United States securities laws on the purchase or sale of securities by any person who has received material, non-public information from the issuer of such securities and on the communication of such information to any other person when it is reasonably foreseeable that such other person is likely to purchase or sell such securities in reliance upon such information.

7. For a period of three years from the date of this agreement, neither you nor we nor any of either of our controlled subsidiaries, will, unless specifically invited by the other party ("party" in this paragraph 7 and in paragraph 8 meaning either (i) Lockheed Martin Corporation or (ii) Loral Corporation and any existing or newly organized subsidiary of Loral Corporation the stock of which is distributed to the shareholders of Loral Corporation, as the case may be) or its Board of Directors: (i) acquire, offer to

acquire, or agree to acquire, directly or indirectly, by purchase or otherwise, any voting securities, or direct or indirect rights to acquire any voting securities of the other party, or any assets of the other party or any subsidiary or division thereof or of any such successor or controlling person; (ii) make, or in any way participate in, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the rules of the Securities Exchange Commission) to vote, or seek to advise or influence any person or entity with respect to the voting of, any voting securities of the other party; (iii) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transactions involving the other party or its securities or assets; (iv) form, join or in any way participate in a "group" (as defined in Section 13 (d) (3) of the Securities Exchange Act of 1934, as amended) in connection with any of the foregoing. The parties agree that for the period specified above, neither will publicly request the other (its officers, directors, employees and agents) or publicly disclose any request, directly or indirectly, to waive any provisions of this paragraph.

8. Each of the parties hereto agrees that, for a period of two years from the date of this agreement, it and its controlled subsidiaries will not, directly or indirectly, solicit for employment any employee of the other party or any of its subsidiaries who became known to it as a result of the Discussions or its consideration of a Transaction or any other person with whom a party has direct contact in the course of negotiating any Transaction, provided, however, that any such solicitation shall not be deemed a breach of this agreement if (i) the personnel who perform such solicitation have no access to or knowledge of any Information or this agreement and (ii) none of the soliciting party's personnel who have access to the Information have actual advance knowledge of such solicitation; provided, further that nothing contained in this paragraph 8 shall be deemed to limit in any manner our ability to offer employment to your employees in the event of the consummation of a Transaction between us. The term "solicit for employment" shall not be deemed to include general solicitations of employment not specifically directed towards employees of a party or any of its subsidiaries.

9. Each of the signatories acknowledge that remedies at law may be inadequate to protect it against any actual or threatened breach of this agreement and, without prejudice to any other rights and remedies otherwise available to them, the signatories agree that each of them shall be entitled to equitable relief, including injunction. In the event of litigation relating to this agreement, if a court of competent jurisdiction determines in a final, nonappealable order that this agreement has been breached then the breaching signatory shall reimburse the nonbreaching signatory for costs and expenses (including, without limitation, legal fees and expenses) incurred in connection with all such litigation.

10. No failure or delay by either signatory in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

11. This agreement will be governed by and construed in accordance with the laws of the State of New York.

12. Any notice or communication hereunder shall be in writing and shall be delivered personally, telegraphed, telexed or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmissions or, if mailed, three (3) business days after the date of deposit in the United States mail, by certified mail return receipt requested as follows:

(i) If to us, to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Telephone: 301-897-6125
Telecopy: 301-897-6791
Attention: General Counsel

with a copy to:

O'Melveny & Myers
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 326-2000
Telecopy: (212) 326-2160
Attention: Douglas C. Kranwinkle

and to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000
Telecopy: (212) 735-2001
Attention: Peter Allan Atkins

(ii) If to you, to:

Loral Corporation
600 Third Avenue
New York, New York 10016
Telephone: 212-697-1105
Telecopy: 212-682-9805
Attention: Michael B. Targoff

with a copy to:

Willkie Farr & Gallagher
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 821-8237
Telecopy: (212) 821-8111
Attention: Bruce R. Kraus, Esq.

13. This agreement contains the entire agreement between the signatories concerning the confidentiality of the Information and other matters covered hereby, and no modifications of this agreement or waiver of the terms and conditions hereof will be binding, unless approved in writing by each of the signatories.

Executed this 4th day of December, 1995.

LOCKHEED MARTIN CORPORATION	LORAL CORPORATION
By: /s/ Frank H. Menaker, Jr.	By: /s/ Michael B. Targoff
Its: Vice President and General Counsel	Its: Senior Vice President and Secretary

Exhibit 99(c)(2)

CONFORMED COPY

AGREEMENT AND PLAN OF MERGER

DATED AS OF JANUARY 7, 1996

BY AND AMONG

LORAL CORPORATION,

LOCKHEED MARTIN CORPORATION

AND

LAC ACQUISITION CORPORATION

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of January 7, 1996, is among LOCKHEED MARTIN CORPORATION, a Maryland corporation ("PARENT"), LAC ACQUISITION CORPORATION, a New York corporation and a wholly-owned subsidiary of Parent ("PURCHASER"), and LORAL CORPORATION, a New York corporation (the "COMPANY").

RECITALS

WHEREAS, the Boards of Directors of the Company, Parent and Purchaser deem it advisable and in the best interests of their respective stockholders that Parent acquire the Company (other than certain businesses thereof) pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, as provided in the Restructuring, Financing and Distribution Agreement dated as of the date hereof herewith among Parent, the Company, Loral Telecommunications Acquisition, Inc. (to be renamed Loral Space & Communications Corporation), a Delaware corporation and wholly-owned subsidiary of the Company (including any successor in interest, "SPINCO"), Loral Aerospace Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("LAH"), and Loral Aerospace Corp., a Delaware corporation and wholly-owned subsidiary of LAH (the "DISTRIBUTION AGREEMENT"), prior to the expiration of the Offer (as defined in Section 1.1 hereof) the Company will cause Spinco to be restructured so that as a result thereof the Company's direct and indirect interests in Space Systems/Loral, Inc., a Delaware corporation, Globalstar L.P., a Delaware limited partnership, K&F Industries, Inc., a Delaware corporation, all rights to receive management and certain (but not all) guarantee fees therefrom, several commercial satellite and telecommunications projects in progress (including related FCC (as defined in Section 6.5 hereof) applications), a certain portion of the Company's leased corporate headquarters office space, the Company's corporate aircraft, certain rights and liabilities with respect to certain litigation in which the Company has an interest, the nonexclusive right to use certain intellectual property of the Company, the exclusive right, subject to a limited license granted to the Company, to the "Loral" name and such other rights and assets as shall be deemed Spinco Assets (as defined in the Distribution Agreement), will be owned directly or indirectly by Spinco and substantially all of the Company's other assets, liabilities and businesses will be owned directly by the Company or by Subsidiaries (as defined in the Distribution Agreement) of the Company other than Spinco and Subsidiaries of Spinco; and

WHEREAS, as provided in the Distribution Agreement, the Company will make a distribution to the Company's stockholders and to holders of Stock Options (as defined in Section 2.10 hereof) as of the Record Date (as defined in the Distribution Agreement), on a pro rata basis, of 100% of the shares of common stock, par value $.01 per share, of Spinco issued and outstanding immediately prior to such distribution (the "SPIN-OFF"); and

WHEREAS, as set forth in Section 6.10 hereof, as a condition to and in consideration of the transactions contemplated hereby, following the date hereof (a) the Company, Spinco and certain other parties will enter into a Tax Sharing Agreement substantially in the form attached hereto as Exhibit A with such changes as shall have been approved prior to the consummation of the Offer by the Company and Parent (or, following the consummation of the Offer, by a majority of the Continuing Directors (as defined in Section 8.4 hereof), if any, and Parent) (the "TAX SHARING AGREEMENT" and, together with the Distribution Agreement, hereafter are collectively referred to as the "ANCILLARY AGREEMENTS");

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, Parent, Purchaser and the Company hereby agree as follows:

ARTICLE I

THE OFFER

SECTION 1.1. THE OFFER.

(a) Subject to this Agreement not having been terminated in accordance with the provisions of Section 8.1 hereof, Purchaser shall, and Parent shall cause Purchaser to, as promptly as practicable, but in no event later than five Business Days (as defined in the Distribution Agreement) from the date of the public announcement of the terms of this Agreement, commence an offer to purchase for cash (as it may be amended in accordance with the terms of this Agreement, the "OFFER") all of the Company's outstanding shares of common stock, par value $.25 per share, together with all preferred stock purchase rights associated therewith (the "SHARES"), subject to the conditions set forth in Exhibit B attached hereto, at a price of not less than $38.00 per Share, net to the seller in cash. Subject only to the conditions set forth in Exhibit B hereto and the express provisions of the Distribution Agreement, the Purchaser shall, and Parent shall cause Purchaser to, (i) accept for payment and pay for all Shares tendered pursuant to the terms of the Offer as promptly as practicable following the expiration date of the Offer, and (ii) extend the period of time the Offer is open until the first Business Day following the date on which the conditions set forth in clause (i)(A) and clause (i)(B) of Exhibit B hereto are satisfied or waived in accordance with the provisions thereof; provided, that the Purchaser shall be permitted, but shall not be obligated, to extend the period of time the Offer is open beyond June 30, 1996. Subject to the preceding sentence of this Section 1.1, neither Purchaser nor Parent will extend the expiration date of the Offer beyond the twentieth Business Day following commencement thereof unless one or more of the conditions set forth in Exhibit B hereto shall not be satisfied or unless Parent reasonably determines that such extension is necessary to comply with any legal or regulatory requirements relating to the Offer or the Spin-Off. Purchaser expressly reserves the right to amend the terms or conditions of the Offer; provided, that without the consent of the Company, no amendment may be made which (i) decreases the price per Share or changes the form of consideration payable in the Offer, (ii) decreases the number of Shares sought, or (iii) imposes additional conditions to the Offer or amends any other term of the Offer in any manner materially adverse to the holders of Shares. Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and purchase, as soon as permitted under the terms of the Offer, all Shares validly tendered and not withdrawn prior to the expiration of the Offer.

(b) Parent will not, nor will it permit any of its affiliates to, tender into the Offer any Shares beneficially owned by it; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Parent or any of its Subsidiaries shall not be deemed to be held by Parent or an affiliate thereof regardless of whether Parent has, directly or indirectly, the power to vote or control the disposition of such Shares. The Company will not, nor will it permit any of its Subsidiaries (other than Retained Subsidiaries (as defined in Section 4.1 hereof)) to, tender into the Offer any Shares beneficially owned by it; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of the Company or any of its Subsidiaries shall not be deemed to be held by the Company regardless of whether the Company has, directly or indirectly, the power to vote or control the disposition of such Shares.

(c) Notwithstanding anything to the contrary contained in this Agreement, Parent and Purchaser shall not be required to commence the Offer in any foreign country where the commencement of the Offer, in Parent's reasonable opinion, would violate the applicable Law (as defined in the Distribution Agreement) of such jurisdiction.

(d) On the date of the commencement of the Offer, Purchaser shall file with the Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule 14D-1 with respect to the Offer which will contain an offer to purchase and form of the related letter of transmittal (together with any supplements or amendments thereto, the "OFFER DOCUMENTS"). The Company and its counsel shall be given a reasonable opportunity to review and comment on the Offer Documents prior to the filing of such Offer Documents with the SEC. Purchaser agrees to provide the Company and its counsel in writing with any comments Purchaser and its counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt thereof.

SECTION 1.2. COMPANY ACTIONS. The Company hereby consents to the Offer and represents that its Board of Directors (at a meeting duly called and held) has unanimously (a) determined as of the date hereof that the Offer, the Merger (as defined in Section 2.1 hereof) and the Spin-Off are fair to the stockholders of the Company and are in the best interests of the stockholders of the Company and (b) resolved to recommend acceptance of the Offer and approval and adoption of this Agreement and the Merger by the stockholders of the Company which approval constitutes approval of each of the transactions contemplated by this Agreement for purposes of Sections 902 and 912 of the New York Business Corporation Law ("NYBCL"). The Company further represents that Lazard Freres & Co. LLC has delivered to the Board of Directors of the Company its opinion that the consideration to be received by the holders of Shares in the Offer, the Merger and the Spin-Off is fair to the holders of the Company's common stock from a financial point of view. The Company hereby agrees to file a Solicitation/Recommendation Statement on Schedule 14D-9 (the "SCHEDULE 14D-9") containing such recommendation with the SEC (and the information required by Section 14(f) of the Exchange Act if Parent shall have furnished such information to the Company in a timely manner) and to mail such Schedule 14D-9 to the stockholders of the Company; provided, that subject to the provisions of Section 6.2(a) hereof, such recommendation may be withdrawn, modified or amended. Such Schedule 14D-9 shall be, if so requested by Purchaser, filed on the same date as Purchaser's Schedule 14D-1 is filed and mailed together with the Offer Documents; provided, that in any event the Schedule 14D-9 shall be filed and mailed no later than 10 Business Days following the commencement of the Offer. Purchaser and its counsel shall be given a reasonable opportunity to review and comment on such Schedule 14D-9 prior to the Company's filing of the Schedule 14D-9 with the SEC. The Company agrees to provide Parent and its counsel in writing with any comments the Company or its counsel may receive from the SEC or its staff with respect to such Schedule 14D-9 promptly after the receipt thereof.

SECTION 1.3. STOCKHOLDER LISTS. In connection with the Offer, at the request of Parent or Purchaser, from time to time after the date hereof, the Company will promptly furnish Purchaser with mailing labels, security position listings and any available listing or computer file containing the names and addresses of the record holders of the Shares as of a recent date and shall furnish Purchaser with such information and assistance as Purchaser or its agents may reasonably request in communicating the Offer to the record and beneficial holders of Shares.

SECTION 1.4. COMPOSITION OF THE BOARD OF DIRECTORS; SECTION 14(F). In the event that Purchaser acquires at least a majority of the Shares outstanding pursuant to the Offer, Parent shall be entitled to designate for appointment or election to the Company's Board of Directors, upon written notice to the Company, such number of persons so that the designees of Parent constitute the same percentage (but in no event less than a majority) of the Company's Board of Directors (rounded up to the next whole number) as the percentage of Shares acquired in connection with the Offer. Prior to consummation of the Offer, the Board of Directors of the Company will obtain the resignation of such number of directors as is necessary to enable such number of Parent designees to be so elected. In connection therewith, the Company will mail to the stockholders of the Company the information required by Section 14(f) of the Exchange Act and Rule 14f-1 thereunder unless such information has previously been provided to such stockholders in the Schedule 14D-9. Parent and Purchaser will provide to the Company in writing, and be solely responsible for, any information with respect to such companies and their nominees, officers, directors and affiliates required by such Section and Rule. Notwithstanding the provisions of this Section 1.4, the parties hereto shall use their respective best efforts to ensure that at least three of the members of the Company's Board of Directors shall, at all times prior to the Effective Time (as defined in Section 2.2 hereof) be, Continuing Directors (as defined in Section 8.4 hereof).

ARTICLE II

THE MERGER

SECTION 2.1. THE MERGER. Upon the terms and subject to the conditions hereof, and in accordance with the NYBCL, Purchaser shall be merged (the "MERGER") with and into the Company as soon as practicable following the satisfaction or waiver of the conditions set forth in Article VII hereof or on such other date as the parties

hereto may agree (such agreement to require the approval of a majority of the Continuing Directors if at the time there shall be any Continuing Directors). Following the Merger the Company shall continue as the surviving corporation (the "SURVIVING CORPORATION") and the separate corporate existence of Purchaser shall cease.

SECTION 2.2. EFFECTIVE TIME. The Merger shall be consummated by filing with the New York Secretary of State a certificate of merger or, if applicable, a certificate of ownership and merger, executed in accordance with the relevant provisions of the NYBCL (the time the Merger becomes effective being the "EFFECTIVE TIME").

SECTION 2.3. EFFECTS OF THE MERGER. The Merger shall have the effects set forth in the NYBCL. As of the Effective Time the Company shall be a wholly-owned subsidiary of Parent.

SECTION 2.4. CERTIFICATE OF INCORPORATION AND BY-LAWS. The Restated Certificate of Incorporation and By-Laws of the Company as in effect at the Effective Time, shall be the Certificate of Incorporation and By-Laws of the Surviving Corporation until amended in accordance with applicable Law; provided, that promptly following the Effective Time, the Certificate of Incorporation shall be amended to change the name of the Surviving Corporation so that the word "Loral" shall be deleted therefrom.

SECTION 2.5. DIRECTORS. The directors of Purchaser at the Effective Time shall be the initial directors of the Surviving Corporation and will hold office from the Effective Time until their respective successors are duly elected or appointed and qualify in the manner provided in the Certificate of Incorporation and By-Laws of the Surviving Corporation, or as otherwise provided by Law.

SECTION 2.6. OFFICERS. The officers of Purchaser at the Effective Time shall be the initial officers of the Surviving Corporation and will hold office from the Effective Time until their respective successors are duly elected or appointed and qualify in the manner provided in the Certificate of Incorporation and By-Laws of the Surviving Corporation, or as otherwise provided by Law.

SECTION 2.7. CONVERSION OF SHARES. At the Effective Time:

(a) Each Share issued and outstanding immediately prior to the Effective Time (other than Shares held in the treasury of the Company or held by any Subsidiary of the Company (other than a Retained Subsidiary), and other than Dissenting Shares (as defined in Section 3.1 hereof)) shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive $38.00 in cash, or any higher price paid per Share in the Offer (the "MERGER PRICE"), payable to the holder thereof, without interest thereon, upon the surrender of the certificate formerly representing such Share (except as provided in Section 2.10(c) hereof).

(b) Each Share held in the treasury of the Company or held by any Subsidiary of the Company (other than a Retained Subsidiary) and each Share held by Parent or any Subsidiary of Parent immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and retired and cease to exist; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Parent or the Company or any Subsidiaries thereof shall not be deemed to be held by Parent or the Company regardless of whether Parent or the Company has, directly or indirectly, the power to vote or control the disposition of such Shares.

SECTION 2.8. RESERVED.

SECTION 2.9. CONVERSION OF PURCHASER'S COMMON STOCK. Each share of common stock, par value $.01 per share, of Purchaser issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and exchangeable for one share of common stock of the Surviving Corporation.

SECTION 2.10. STOCK OPTIONS AND STOCK AWARDS.

(a) The Company shall take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by this Section 2.10) necessary to provide that all outstanding options and other rights to acquire Shares ("STOCK OPTIONS") granted under any stock option plan, program or similar

arrangement of the Company or any Subsidiaries, each as amended (the "OPTION PLANS"), shall become fully exercisable and vested on the date (the "VESTING DATE") which shall be set by the Company and which, in any event, shall be not less than 30 days prior to the consummation of the Offer, whether or not otherwise exercisable and vested. All Stock Options which are outstanding immediately prior to Purchaser's acceptance for payment and payment for Shares tendered pursuant to the Offer shall be cancelled as of the consummation of the Offer and the holders thereof (other than holders who are subject to the reporting requirements of Section 16(a) of the Exchange Act) shall be entitled to receive from the Company, for each Share subject to such Stock Option, (1) an amount in cash equal to the difference between the Merger Price and the exercise price per share of such Stock Option, which amount shall be payable upon consummation of the Offer, plus (2) one share of Spinco Common Stock (as defined in the Distribution Agreement), which shall be held by an escrow agent pending delivery on the Distribution Date. All applicable withholding taxes attributable to the payments made hereunder or to distributions contemplated hereby shall be deducted from the amounts payable under clause (1) above and all such taxes attributable to the exercise of Stock Options on or after the Vesting Date shall be withheld from the proceeds received in the Offer or the Merger, as the case may be, in respect of the Shares issuable on such exercise.

(b) The Company shall take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by this Section 2.10) necessary to provide that all restrictions on transferability with respect to each Share which is granted pursuant to the Company's 1987 Restricted Stock Purchase Plan (the "1987 PLAN") and which is outstanding and not vested on the Vesting Date shall lapse, and each such Share shall become free of restrictions as of the Vesting Date. All applicable withholding taxes attributable to the vesting of restricted Shares shall be withheld from the proceeds received in respect of such Shares in the Offer or the Merger, as the case may be.

(c) Except as provided herein or as otherwise agreed to by the parties and to the extent permitted by the Option Plans and the 1987 Plan, (i) the Option Plans and the 1987 Plan shall terminate as of the Effective Time and the provisions in any other plan, program or arrangement, providing for the issuance or grant by the Company or any of its Subsidiaries of any interest in respect of the capital stock of the Company or any of its Subsidiaries shall be deleted as of the Effective Time and (ii) the Company shall use all reasonable efforts to ensure that following the Effective Time no holder of Stock Options or any participant in the Option Plans or any other such plans, programs or arrangements shall have any right thereunder to acquire any equity securities of the Company, the Surviving Corporation or any Subsidiary thereof.

SECTION 2.11. STOCKHOLDERS' MEETING. If required by applicable Law in order to consummate the Merger, the Company, acting through its Board of Directors, shall, in accordance with applicable Law, its Restated Certificate of Incorporation and By-Laws and the rules and regulations of the New York Stock Exchange:

(a) duly call, give notice of, convene and hold a special meeting of its stockholders as soon as practicable following the consummation of the Offer for the purpose of considering and taking action upon this Agreement (the "STOCKHOLDERS' MEETING");

(b) subject to its fiduciary duties under applicable Laws as advised by counsel, include in the Information Statement prepared by the Company for distribution to stockholders of the Company in advance of the Stockholders' Meeting in accordance with Regulation 14C promulgated under the Exchange Act (the "INFORMATION STATEMENT") the recommendation of its Board of Directors referred to in Section 1.2 hereof; and

(c) use its best efforts to (i) obtain and furnish the information required to be included by it in the Information Statement, and, after consultation with Parent, respond promptly to any comments made by the SEC with respect to the Information Statement and any preliminary version thereof and cause the Information Statement to be mailed to its stockholders following the consummation of the Offer and (ii) obtain the necessary approvals of this Agreement by its stockholders.

Parent will provide the Company with the information concerning Parent and Purchaser required to be included in the Information Statement and will vote, or cause to be voted, all Shares owned by it or its Subsidiaries in favor of approval and adoption of this Agreement.

SECTION 2.12. FILING OF CERTIFICATE OF MERGER. Upon the terms and subject to the conditions hereof, as soon as practicable following the satisfaction or waiver of the conditions set forth in Article VII hereof, the Company shall execute and file a certificate of merger or, if applicable, a certificate of ownership and merger, in the manner required by the NYBCL and the parties hereto shall take all such other and further actions as may be required by Law to make the Merger effective. Prior to the filings referred to in this Section 2.12, a closing will be held at the offices of O'Melveny & Myers, 153 East 53rd Street, New York, New York (or such other place as the parties may agree), for the purpose of confirming all of the foregoing.

ARTICLE III

DISSENTING SHARES; EXCHANGE OF SHARES

SECTION 3.1. DISSENTING SHARES. Notwithstanding anything in this Agreement to the contrary, Shares which are issued and outstanding immediately prior to the Effective Time and which are held by stockholders who have not voted such Shares in favor of the Merger and shall have delivered a written demand for appraisal of such Shares in the manner provided in the NYBCL (the "DISSENTING SHARES") shall not be converted into or be exchangeable for the right to receive the consideration provided in Section 2.7 of this Agreement, unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to appraisal and payment under the NYBCL. If such holder shall have so failed to perfect or shall have effectively withdrawn or lost such right, such holder's Shares shall thereupon be deemed to have been converted into and to have become exchangeable for, at the Effective Time, the right to receive the consideration provided for in Section 2.7(a) of this Agreement, without any interest thereon.

SECTION 3.2. EXCHANGE OF SHARES.

(a) Prior to the Effective Time, Parent shall designate a bank or trust company to act as exchange agent in the Merger (the "EXCHANGE AGENT"). Immediately prior to the Effective Time, Parent will take all steps necessary to enable and cause the Company to deposit with the Exchange Agent the funds necessary to make the payments contemplated by Section 2.7 on a timely basis.

(b) Promptly after the Effective Time, the Exchange Agent shall mail to each record holder, as of the Effective Time, of an outstanding certificate or certificates which immediately prior to the Effective Time represented Shares (the "CERTIFICATES") a form letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates for payment therefor. Upon surrender to the Exchange Agent of a Certificate, together with such letter of transmittal duly executed, and any other required documents, the holder of such Certificate shall be entitled to receive in exchange therefor the consideration set forth in Section 2.7(a) hereof, and such Certificate shall forthwith be cancelled. No interest will be paid or accrued on the cash payable upon the surrender of the Certificates. If payment is to be made to a person other than the person in whose name the Certificate surrendered is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of the Certificate surrendered or establish to the satisfaction
of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered in accordance with the provisions of this Section 3.2, each Certificate (other than Certificates representing Shares held by Parent or any subsidiary of Parent, Shares held in the treasury of the Company or held by any subsidiary of the Company and Dissenting Shares) shall represent for all purposes only the right to receive the consideration set forth in Section 2.7(a) hereof, without any interest thereon.

(c) After the Effective Time there shall be no transfers on the stock transfer books of the Surviving Corporation of the Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for the consideration provided in Article II hereof in accordance with the procedures set forth in this Article III.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Purchaser as follows:

SECTION 4.1. ORGANIZATION. Each of the Company and its Subsidiaries that will be owned, directly or indirectly, by the Company following the Spin-Off (the "RETAINED SUBSIDIARIES") is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except in the case of Retained Subsidiaries where the failure to be so existing and in good standing or to have such power and authority would not in the aggregate have a Material Adverse Effect (as defined below). For purposes of this Agreement (except as provided in Section 5.1 hereof), (a) the term "MATERIAL ADVERSE EFFECT" shall mean any change or effect that is reasonably likely to be materially adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Retained Business (as hereinafter defined) taken as a whole, or (ii) the ability of (A) the Company to perform its obligations under this Agreement or the Distribution Agreement, or (B) Spinco to perform its obligations under the Distribution Agreement; and (b) the term "RETAINED BUSINESS" shall mean all of the businesses (and the Assets and Liabilities thereof (each as defined in the Distribution Agreement)) of the Company and its Subsidiaries, other than the Spinco Business (as defined in the Distribution Agreement). Each of the Company and the Retained Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not in the aggregate have a Material Adverse Effect. The Company has heretofore delivered or made available to Parent accurate and complete copies of the Certificate of Incorporation and By-Laws (or other similar organizational documents in the event of any entity other than a corporation), as currently in effect of the Company and each of the Retained Subsidiaries.

SECTION 4.2. CAPITALIZATION.

(a) As of December 31, 1995, the authorized capital stock of the Company consisted of (i) 300,000,000 Shares, of which 173,068,379 Shares were issued and outstanding (inclusive of Shares subject to restrictions under the Company's 1987 Restricted Stock Purchase Plan), and (ii) 2,000,000 shares of Preferred Stock, par value $1.00 per share ("PREFERRED STOCK"), of which 250,000 shares were designated as Series A Preferred Stock, of which no shares were issued and outstanding. All of the issued and outstanding Shares are validly issued, fully paid and non-assessable and free of preemptive rights. As of December 31, 1995, 11,131,234 Shares were issuable upon the exercise of outstanding vested and non-vested Stock Options. Since December 31, 1995, the Company has not granted any Stock Options or issued any shares of its capital stock except as set forth on Schedule 4.2(a) of the disclosure schedule delivered by the Company to Parent on or prior to the date hereof (the "DISCLOSURE SCHEDULE") or except upon exercise of Stock Options or pursuant to any existing Plan in accordance with the current terms of such Plan. Except as set forth above and as otherwise provided for in this Agreement, there are not now, and at the Effective Time there will not be, any shares of capital stock of the Company issued or outstanding or any subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character obligating the Company to issue, transfer or sell any of its securities other than the Rights (as defined in the Rights Agreement). Except as permitted by this Agreement, following the Merger, the Company will have no obligation to issue, transfer or sell any shares of its capital stock pursuant to any employee benefit plan or otherwise.

(b) All of the outstanding shares of capital stock of, or ownership interest in, each of the Retained Subsidiaries have been validly issued and are fully paid and non-assessable and are owned by either the Company or another of the Retained Subsidiaries free and clear of all Liens (as defined in the Distribution Agreement). There are not now, and at the Effective Time there will not be, any outstanding subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character relating to the issued or

unissued capital stock or other securities of any of the Retained Subsidiaries, or otherwise obligating the Company or any such subsidiary to issue, transfer or sell any such securities.

(c) There are not now, and at the Effective Time there will not be, any voting trusts or other agreements or understandings to which the Company or any of the Retained Subsidiaries is a party or is bound with respect to the voting of the capital stock of the Company or any of the Retained Subsidiaries.

SECTION 4.3. AUTHORITY RELATIVE TO THIS AGREEMENT. Each of the Company and each Company Subsidiary which is a party to any of the Ancillary Agreements (each such subsidiary, a "CONTRACTING SUBSIDIARY") has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements and to consummate the transactions contemplated hereby and thereby (but only to the extent it is a party thereto). The execution and delivery of this Agreement by the Company and of the Ancillary Agreements by the Company and each Contracting Subsidiary (to the extent it is a party thereto) and the consummation of the transactions contemplated hereby and thereby have been, or with respect to Contracting Subsidiaries will be prior to the Record Date, duly and validly authorized by the Boards of Directors of the Company and each Contracting Subsidiary (to the extent it is a party thereto) and no other corporate proceedings on the part of the Company or each Contracting Subsidiary (to the extent it is a party thereto), including, without limitation, any approval by the stockholders of the Company, are, or with respect to Contracting Subsidiaries will be prior to the Record Date, necessary to authorize this Agreement or the Ancillary Agreements or to consummate the transactions contemplated hereby or thereby (other than (a) with respect to the Merger, the approval and adoption of this Agreement by the holders of the requisite number of the outstanding Shares and (b) the establishment of the Record Date and the Distribution Date (each as defined in the Distribution Agreement) by the Board of Directors of the Company). This Agreement has been, and each of the Ancillary Agreements have been or will prior to the Record Date be, duly and validly executed and delivered by the Company and each Contracting Subsidiary (to the extent it is a party thereto) and constitute or (to the extent such agreement is not being entered into as of the date hereof) will constitute a valid and binding agreement of the Company and each Contracting Subsidiary (to the extent it is a party thereto), enforceable against the Company and each Contracting Subsidiary (to the extent it is a party thereto) in accordance with its terms except to the extent that enforcement thereof may be limited by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws, now or hereafter in effect, relating to the creditors' rights generally and (b) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity). The affirmative vote of the holders of two-thirds of the Shares, determined on a fully-diluted basis, is the only vote of the holders of any class or series of Company capital stock necessary to approve the Merger.

SECTION 4.4. CONSENTS AND APPROVALS; NO VIOLATIONS. Except for any applicable requirements of the Securities Exchange Act of 1934, as amended, and all rules and regulations thereunder (the "EXCHANGE ACT"), the Securities Act of 1933, as amended, and all rules and regulations thereunder (the "SECURITIES ACT"), the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), the EC Merger Regulations (as defined below), and the Communications Act of 1934, as amended, and all rules and regulations promulgated thereunder (the "COMMUNICATIONS ACT"), the filing and recordation of a certificate of merger, or a certificate of ownership and merger, as required by the NYBCL, filing with and approval of the New York Stock Exchange, Inc. and the SEC with respect to the delisting and deregistering of the Shares, such filings and approvals as may be required under the "takeover" or "blue sky" Laws of various states, and as disclosed in Section 4.4 of the Disclosure Schedule or as contemplated by this Agreement and the Ancillary Agreements, neither the execution and delivery of this Agreement or the Ancillary Agreements by the Company or any Contracting Subsidiary (to the extent it is a party thereto) nor the consummation by the Company or any Contracting Subsidiary (to the extent it is a party thereto) of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or By-Laws of the Company or any Contracting Subsidiary or Retained Subsidiary (other than those Retained Subsidiaries which, when taken together, would not be a "significant subsidiary" within the meaning of Regulation S-X promulgated under the Securities Act) (any such Retained Subsidiary, other than those described in the preceding parenthetical, herein called a "SIGNIFICANT RETAINED SUBSIDIARY"), (ii) require on the part of the Company or any Contracting Subsidiary or a Significant Retained Subsidiary any filing with, or the obtaining of any permit,

authorization, consent or approval of, any governmental or regulatory authority or any third party, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation, acceleration or payment, or to the creation of a lien or encumbrance) under any of the terms, conditions or provisions of any note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or obligation to which the Company, any Contracting Subsidiary or Retained Subsidiary or any of their respective Subsidiaries is a party or by which any of them or any of their Assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any Contracting Subsidiary or Retained Subsidiary, any of their respective Subsidiaries or any of their Assets, except for such requirements, defaults, rights or violations under clauses (ii), (iii) and (iv) above (x) which relate to jurisdictions outside the United States or which would not in the aggregate have a Material Adverse Effect or materially impair the ability of the Company or any Contracting Subsidiary to consummate the transactions contemplated by this Agreement, or (y) which become applicable as a result of the business or activities in which Parent or Purchaser is or proposes to be engaged (other than the business or activities of the Retained Business to be acquired by Purchaser, considered independently of the ownership thereof by Parent and Purchaser) or as a result of other facts or circumstances specific to Parent or Purchaser. For purposes of this Agreement, "EC MERGER REGULATIONS" mean Council Regulation (EEC) No. 4064/89 of December 21, 1989 on the Control of Concentrations Between Undertakings, OJ (1989) L 395/1 and the regulations and decisions of the Councilor Commission of the European Community (the "COMMISSION") or other organs of the European Union or European Community implementing such regulations.

SECTION 4.5. ABSENCE OF CERTAIN CHANGES. Except (a) as set forth in Section 4.5 of the Disclosure Schedule, (b) as set forth in the Company's Annual Report on Form 10-K for the year ended March 31, 1995 (the "FORM 10-K") or any other document filed prior to the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act, or (c) as contemplated by this Agreement or any of the Ancillary Agreements, from April 1, 1995 until the date hereof, neither the Company nor any of its Subsidiaries has taken any of the prohibited actions set forth in Section 6.1 (other than clause (l) thereof) hereof or suffered any changes that, in each case, either individually or in the aggregate, would result in a Material Adverse Effect or conducted its business or operations in any material respect other than in the ordinary and usual course of business, consistent with past practices.

SECTION 4.6. NO UNDISCLOSED LIABILITIES. Except (a) for Liabilities and obligations incurred in the ordinary and usual course of business consistent with past practice since April 1, 1995, (b) for Liabilities incurred in connection with the Offer, the Merger and the Spin-Off and (c) as set forth in Section 4.6 of the Disclosure Schedule, from April 1, 1995 until the date hereof neither the Company nor any of its Subsidiaries has incurred any Liabilities that, individually or in the aggregate, would have a Material Adverse Effect and that would be required to be reflected or reserved against in a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles as applied in preparing the consolidated balance sheet of the Company and its Subsidiaries as of March 31, 1995 contained in the Form 10-K.

SECTION 4.7. REPORTS.

(a) The Company has filed all reports, forms, statements and other documents required to be filed with the SEC pursuant to the Exchange Act since April 1, 1991 (collectively, including, without limitation, any financial statements or schedules included or incorporated by reference therein, the "COMPANY SEC DOCUMENTS"). Each of the Company SEC Documents, as of its filing date and at each time thereafter when the information included therein was required to be updated pursuant to the rules and regulations of the SEC, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act. None of the Company SEC Documents, as of their respective filing dates or any date thereafter when the information included therein was required to be updated pursuant to the rules and regulations of the SEC, contained or will contain any untrue statement of a material fact or omitted or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets (including the related notes) included in the Company SEC Documents filed prior to or after the date of this Agreement (but prior to the date on which the Offer is consummated, and excluding the Company SEC Documents described in Section 4.8 hereof) fairly presents or

will fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates thereof, and the other related statements (including the related notes) included therein fairly present or will fairly present in all material respects the results of operations and the cash flows of the Company and its Subsidiaries for the respective periods or as of the respective dates set forth therein. Each of the financial statements (including the related notes) included in the Company SEC Documents filed prior to or after the date of this Agreement (but prior to the date on which the Offer is consummated, and excluding the Company SEC Documents described in Section 4.8 hereof) has been prepared or will be prepared in all material respects in accordance with generally accepted accounting principles consistently applied during the periods involved, except (i) as otherwise noted therein, (ii) to the extent required by changes in generally accepted accounting principles or (iii) in the case of unaudited financial statements, normal recurring year-end audit adjustments.

(b) The Company has heretofore made available or promptly will make available to Purchaser a complete and correct copy of any amendments or modifications, which have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by the Company with the SEC pursuant to the Exchange Act.

(c) Except as and to the extent set forth in Section 4.7(c) of the Disclosure Schedule, the pro forma consolidated balance sheet and the pro forma statement of operations (including the related notes) of the Retained Business attached as Annex 1 to Section 4.7(c) of the Disclosure Schedule (the "DEFENSE FINANCIAL STATEMENTS") fairly presents on a pro forma basis in all material respects the consolidated financial position of the Retained Business as of the date thereof, and fairly presents on a pro forma basis in all material respects the consolidated results of operations of the Retained Business for the period set forth therein, respectively. The Defense Financial Statements have been prepared in all material respects in accordance with generally accepted accounting principles consistently applied during the periods involved, except as otherwise disclosed therein or in the notes thereto.

SECTION 4.8. SCHEDULE 14D-9; OFFER DOCUMENTS; FORM 10; INFORMATION STATEMENT. None of the information (other than information provided in writing by Parent or Purchaser for inclusion therein) included in the Schedule 14D-9, the Form 10 (as defined in the Distribution Agreement (or any registration statement contemplated pursuant to Section 3.1(a) of the Distribution Agreement) or the Information Statement or supplied by the Company for inclusion in the Offer Documents, including any amendments thereto, will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. Except for information supplied by Parent in writing for inclusion therein, the Schedule 14D-9, the Form 10 (or any registration statement contemplated pursuant to Section 3.1(a) of the Distribution Agreement) and the Information Statement, including any amendments thereto, will comply in all material respects with the Exchange Act and the Securities Act.

SECTION 4.9. NO DEFAULT. Except as set forth in Section 4.9 of the Disclosure Schedule, neither the Company nor any of its Subsidiaries is in default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a default or violation) of any term, condition or provision of (i) its charter or its by-laws, (ii) any note, mortgage, indenture (including, without limitation, the Indenture dated January 15, 1992 with respect to the Company's 9 1/8% Senior Debentures due 2022, the Indenture dated September 1, 1993 with respect to the Company's 7 5/8% Senior Notes due 2004, 8 3/8% Senior Debentures due 2024 and 7 5/8% Senior Debentures due 2025, and the Indenture dated November 1, 1992 with respect to the Company's 7% Senior Debentures due 2023 and 8 3/8% Senior Debentures due 2023 (collectively, the "PUBLIC INDENTURES")), other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or contractual obligation to which the Company or any of its Subsidiaries is now a party or by which they or any of their Assets may be bound, or (iii) any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its Subsidiaries, except for defaults or violations under clause (i) (with respect to Company Subsidiaries other than the Retained Subsidiaries), clause (ii) (other than defaults under or violations of any of the Public Indentures or the Amended and Restated Credit Agreement dated as of November 23, 1994 between the Company and the

banks party thereto (the "CREDIT AGREEMENT")), and clause (iii) above which, (A) in the aggregate would not have a Material Adverse Effect and would not have a material adverse effect on the ability of the Company or Spinco to consummate the transactions contemplated by this Agreement or the Distribution Agreement, or (B) become applicable as a result of the business or activities in which Parent or Purchaser is or proposes to be engaged (other than the business or activities of the Retained Business to be acquired by Purchaser, considered independently of the ownership thereof by Parent and Purchaser) or as a result of any other facts or circumstances specific to Parent or Purchaser.

SECTION 4.10. LITIGATION; COMPLIANCE WITH LAW.

(a) Except as set forth in Section 4.10(a) of the Disclosure Schedule, as of the date hereof (except as provided in the following sentence), there are no actions, suits, claims, proceedings or investigations pending or, to the best knowledge of the Company, threatened, involving the Company or any of its Subsidiaries or any of their respective Assets (or any person or entity whose liability therefrom may have been retained or assumed by the Company or any of its Subsidiaries either contractually or by operation of Law), by or before any court, governmental or regulatory authority or by any third party which, either individually or in the aggregate, would have a Material Adverse Effect. None of the Company, any of its Subsidiaries or any of their respective Assets is subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would have a Material Adverse Effect.

(b) Except as disclosed by the Company in the Company SEC Documents filed since April 1, 1995 (the "RECENT SEC DOCUMENTS") or Section 4.10(b) of the Disclosure Schedule, the Company and its Retained Subsidiaries are now being and in the past have been operated in substantial compliance with all Laws except for violations which individually or in the aggregate do not, and, insofar as reasonably can be foreseen, will not, have a Material Adverse Effect.

SECTION 4.11. EMPLOYEE BENEFIT PLANS; ERISA.

(a) Except for those matters set forth in Section 4.11(a) of the Disclosure Schedule, (i) each "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and all other employee benefit, bonus, incentive, stock option (or other equity-based), severance, change in control, welfare (including post-retirement medical and life insurance) and fringe benefit plans (whether or not subject to ERISA) maintained or sponsored by the Company or its Subsidiaries or any trade or business, whether or not incorporated, that would be deemed a "single employer" within the meaning of Section 4001 of ERISA (an "ERISA AFFILIATE"), for the benefit of any employee or former employee of the Company or any of its ERISA Affiliates (the "PLANS") is, and has been, operated in all material respects in accordance with its terms and in substantial compliance (including the making of governmental filings) with all applicable Laws, including, without limitation, ERISA and the applicable provisions of the Internal Revenue Code of 1986, as amended (the "CODE"), (ii) each of the Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the Internal Revenue Service (the "IRS") to be so qualified and is not under audit by the IRS or the Department of Labor and the Company knows of no fact or set of circumstances that is reasonably likely to adversely affect such qualification prior to the Effective Time, (iii) no material withdrawal liability with respect to any "multiemployer pension plan" (as defined in Section 3(37) of ERISA) would be incurred by the Company and its ERISA Affiliates if withdrawal from such plan were to occur on the Effective Time, (iv) no "reportable event", as such term is defined in Section 4043(c) of ERISA (for which the 30-day notice requirement to the PBGC has not been waived), has occurred with respect to any Plan that is subject to Title IV of ERISA, and (v) there are no material pending or, to the best knowledge of Company, threatened claims (other than routine claims for benefits) by, on behalf of or against any of the Plans or any trusts related thereto other than routine benefit claim matters.

(b) (i) No Plan has incurred an "Accumulated Funding Deficiency" (as defined in Section 302 of ERISA or Section 412 of the Code), whether or not waived, (ii) neither the Company nor any ERISA Affiliate has incurred any Liability under Title IV of ERISA except for required premium payments to the Pension Benefit Guaranty Corporation ("PBGC"), which payments have been made when due, and no events have occurred

which are reasonably likely to give rise to any Liability of the Company or an ERISA Affiliate under Title IV of ERISA or which could reasonably be anticipated to result in any claims being made against Buyer by the PBGC, and (iii) the Company has not incurred any material withdrawal liability (including any contingent or secondary withdrawal liability) within the meaning of Section 4201 and 4204 of ERISA to any multiemployer plan (within the meaning of Section 3(37) of ERISA) which has not been satisfied in full.

(c) Except as set forth in Section 4.11(c) of the Disclosure Schedule, with respect to each Plan that is subject to Title IV of ERISA (i) the Company has provided to Purchaser copies of the most recent actuarial valuation report prepared for such Plan, (ii) the assets and liabilities in respect of the accrued benefits as set forth in the most recent actuarial valuation report prepared by the Plan's actuary fairly present the funded status of such Plan in all material respects, and (iii) since the date of such valuation report there has been no material adverse change in the funded status of any such Plan.

(d) Neither the Company nor any ERISA Affiliate has failed to make any contribution or payment to any Plan or multiemployer plan which, in either case has resulted or could result in the imposition of a material lien or the posting of a material bond or other material security under ERISA or the Code.

(e) Except as otherwise set forth on Section 4.11(e) of the Disclosure Schedule or as expressly provided for in this Agreement, the consummation of the transactions contemplated by this Agreement or the Distribution Agreement will not (i) entitle any current or former employee or officer of the Company or any ERISA Affiliate to severance pay, unemployment compensation or any other payment, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer.

SECTION 4.12. ASSETS; INTELLECTUAL PROPERTY.

(a) Except as set forth in Section 4.12(a) of the Disclosure Schedule, upon consummation of the Spin-Off, the Company and the Retained Subsidiaries will own or have rights to use all Assets necessary to permit the Company and the Retained Subsidiaries to conduct the Retained Business as it is currently being conducted except where the failure to own or have the right to use such Assets would not, individually or in the aggregate, have a Material Adverse Effect.

(b) To the knowledge of the Company, based solely upon inquiry of the Company's General Counsel and Chief Patent Counsel, the Company does not now and has not in the past used Intellectual Property in the Retained Business which conflicts with or infringes upon any proprietary rights of others except where such conflict or infringement would not have, individually or in the aggregate, a Material Adverse Effect. "INTELLECTUAL PROPERTY" means trademarks, trade names, service marks, service names, mark registrations, logos, assumed names, copyright registrations, patents and all applications therefor and all other similar proprietary rights.

SECTION 4.13. RESERVED.

SECTION 4.14. RESERVED.

SECTION 4.15. CERTAIN CONTRACTS AND ARRANGEMENTS. During the twelve months immediately prior to the date hereof, no significant contracts of the Retained Business have been cancelled or otherwise terminated and during such time the Company has not been threatened with any such cancellation or termination except, in each case, for cancelled or terminated contracts which, individually or in the aggregate, would not constitute a Material Adverse Effect.

SECTION 4.16. TAXES. Except as otherwise disclosed in Section 4.16 of the Disclosure Schedule and except for those matters which, either individually or in the aggregate, would not result in a Material Adverse Effect:

(a) The Company and each of its Subsidiaries have filed (or have had filed on their behalf) or will file or cause to be filed, all Tax Returns (as defined in Section 4.16(j)(3) hereof) required by applicable Law to be filed

by any of them prior to the consummation of the Offer, and all such Tax Returns and amendments thereto are or will be true, complete and correct.

(b) The Company and each of its Subsidiaries have paid (or have had paid on their behalf) all Taxes (as defined in Section 4.16(j)(2) hereof) due with respect to any period ending prior to or as of the expiration of the Offer), or where payment of Taxes is not yet due, have established (or have had established on their behalf and for their sole benefit and recourse), or will establish or cause to be established before the consummation of the Offer, an adequate accrual for the payment of all such Taxes which have accrued prior to expiration of the Offer other than Taxes directly attributable to the transactions contemplated by the Distribution Agreement.

(c) There are no Liens for any Taxes upon the Assets of the Company or any of its Subsidiaries used primarily in the Retained Business, other than statutory liens for Taxes not yet due and payable and Liens for real estate Taxes being contested in good faith.

(d) No Audit (as defined in Section 4.16(j)(3)) is pending with respect to any Taxes due from the Company or any Subsidiary. There are no outstanding waivers extending the statutory period of limitation relating to the payment of Taxes due from the Company or any Subsidiary for any taxable period ending prior to the expiration of the Offer which are expected to be outstanding as of the expiration of the Offer.

(e) Neither the Company nor any subsidiary is a party to, is bound by, or has any obligation under, a tax sharing contract or other agreement or arrangement for the allocation, apportionment, sharing, indemnification, or payment of Taxes, other than the Tax Sharing Agreement.

(f) Neither the Company nor any of its Subsidiaries has made an election under Section 341(f) of the Code.

(g) The statute of limitations for all Tax Returns of the Company and each of its Subsidiaries for all years through 1987 have expired for all federal, state, local and foreign tax purposes, or such Tax Returns have been subject to a final Audit.

(h) Neither the Company nor any of its Subsidiaries has received any written notice of deficiency, assessment or adjustment from the Internal Revenue Service or any other domestic or foreign governmental taxing authority that has not been fully paid or finally settled, and any such deficiency, adjustment or assessment shown on such schedule is being contested in good faith through appropriate proceedings and adequate reserves have been established on the Company's financial statements therefor. To the best of their knowledge, there are no other deficiencies, assessments or adjustments threatened, pending or assessed with respect to the Company or any of its Subsidiaries.

(i) Except as contemplated by this Agreement and the Ancillary Documents or as disclosed in the Recent SEC Documents, neither the Company nor any of its Subsidiaries is a party to any agreement, contract or other arrangement that would result, separately or in the aggregate, in the requirement to pay any "excess parachute payments" within the meaning of Section 280G of the Code or any gross-up in connection with such an agreement, contract or arrangement.

(j) For purposes of this Section 4.16, capitalized terms have the following meaning:

(1) "AUDIT" shall mean any audit, assessment or other examination of Taxes or Tax Returns by the IRS or any other domestic or foreign governmental authority responsible for the administration of any Taxes, proceeding or appeal of such proceeding relating to Taxes.

(2) "TAXES" shall mean all Federal, state, local and foreign taxes, and other assessments of a similar nature (whether imposed directly or through withholding) including, but not limited to income, excise, property, sales, use (or any similar taxes), gains, transfer, franchise, payroll, value-added, withholding, Social Security, business license fees, customs, duties and other taxes, assessments, charges, or other fees imposed by a governmental authority, including any interest, additions to tax, or penalties applicable thereto.

(3) "TAX RETURNS" shall mean all Federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns and any amended Tax Return relating to Taxes.

SECTION 4.17. RETAINED BUSINESS FCC LICENSES. The licenses and permits issued to the Company or its Subsidiaries by the Federal Communications Commission and used in connection with the Retained Business are not individually or in the aggregate Important Licenses. "IMPORTANT LICENSES" means licenses or permits which are important to the Retained Business and which, if terminated, forfeited or otherwise not available to the Retained Business after the consummation of any of the transactions contemplated by this Agreement, would adversely affect the Retained Business in a significant manner.

SECTION 4.18. LABOR MATTERS. Except as set forth in Section 4.18 of the Disclosure Schedule, neither the Company nor any of the Retained Subsidiaries has, since April 1, 1993, (i) been subject to, or threatened with, any material strike, lockout or other labor dispute or engaged in any unfair labor practice, the result of which could have a Material Adverse Effect, or (ii) received notice of any pending petition for certification before the National Labor Relations Board with respect to any material group of Retained Employees (as defined in the Distribution Agreement) who are not currently organized.

SECTION 4.19. RIGHTS AGREEMENT. The Board of Directors of the Company has approved a form of Rights Agreement between the Company and the Rights Agent thereunder (the "RIGHTS AGREEMENT"), and a form of amendment thereto (the "RIGHTS AMENDMENT"); the Rights Agreement, as amended by the Rights Amendment, when each are executed and delivered by the Company and the Rights Agent, shall (a) prevent this Agreement or the consummation of any of the transactions contemplated hereby or by the Distribution Agreement, including without limitation, the publication or other announcement of the Offer and the consummation of the Offer and the Merger, from resulting in the distribution of separate rights certificates or the occurrence of a Distribution Date (as defined in the Rights Agreement) or being deemed to be a Triggering Event (as defined in the Rights Agreement) or a Section 13 Event (as defined in the Rights Agreement) and (b) provide that neither Parent nor Purchaser shall be deemed to be an Acquiring Person (as defined in the Rights Agreement) by reason of the transactions expressly provided for in this Agreement.

SECTION 4.20. CERTAIN FEES. Except for Lazard Freres & Co. LLC and Lehman Brothers Inc., neither the Company nor any Subsidiary has employed any financial advisor or finder or incurred any Liability for any financial advisory or finders' fees in connection with this Agreement or the Ancillary Agreements or the transactions contemplated hereby or thereby.

SECTION 4.21. NO ADDITIONAL APPROVALS NECESSARY. The Board of Directors of the Company has taken all actions necessary under the Company's Restated Certificate of Incorporation and the NYBCL, including approving the transactions contemplated in this Agreement, to ensure that Section 912 of the NYBCL will not, prior to any termination of this Agreement, apply to this Agreement, the Offer, the Merger, the Spin-Off or the transactions contemplated hereby.

SECTION 4.22. MATERIALITY. The representations and warranties set forth in this Article IV would in the aggregate be true and correct even without the materiality exceptions or qualifications contained therein except for such exceptions and qualifications which, in the aggregate for all such representations and warranties, are not and could not reasonably be expected to constitute a Material Adverse Effect.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Parent and Purchaser represent and warrant to the Company as follows:

SECTION 5.1. ORGANIZATION. Each of Parent and Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the state of its incorporation and has all requisite corporate power and

authority to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not, in the aggregate, have a Material Adverse Effect (as defined below) on Parent or Purchaser. When used in connection with Parent or Purchaser, the term "MATERIAL ADVERSE EFFECT" means any change or effect that is materially adverse to the business, properties, operations, prospects results of operations or condition (financial or otherwise) of Parent and its Subsidiaries, taken as a whole.

SECTION 5.2. AUTHORITY RELATIVE TO THIS AGREEMENT. Each of Parent and Purchaser has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements (to the extent it is a party thereto) and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements (to the extent it is a party thereto) and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by the Boards of Directors of Purchaser and Parent and no other corporate or other proceedings on the part of Parent, Purchaser or any of their affiliates are necessary to authorize this Agreement or the Ancillary Agreements (to the extent it is a party thereto) or to consummate the transactions so contemplated. This Agreement has been, and each of the Ancillary Agreements have been, or will prior to the Record Date be, duly and validly executed and delivered by each of Parent and Purchaser (to the extent it is a party thereto) and constitute or (to the extent such agreement is not being entered into as of the date hereof) will constitute valid and binding agreements of each of Parent and Purchaser, enforceable against each of Parent and Purchaser in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

SECTION 5.3. CONSENTS AND APPROVALS; NO VIOLATIONS. Except for applicable requirements of the Securities Act, the Exchange Act, Antitrust Laws, the Communications Act, the filing and recordation of a certificate of merger, or a certificate of ownership and merger, as required by the NYBCL, any filings required by the Investment Canada Act, such filings and approvals as may be required under the "takeover" or "blue sky" Laws of various states, and as contemplated by this Agreement and the Ancillary Agreements, neither the execution and delivery of this Agreement or the Ancillary Agreements by Parent or Purchaser (to the extent it is a party thereto) nor the consummation by Parent or Purchaser of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach of any provision of the charter or by-laws of Parent or Purchaser, (ii) require on the part of Parent or Purchaser any filing with, or the obtaining of any permit, authorization, consent or approval of, any governmental or regulatory authority or any third party, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation, acceleration or payment, or to the creation of a lien or encumbrance) under any of the terms, conditions or provisions of any note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or contractual obligation to which Parent, Purchaser or any of their respective Subsidiaries is a party or by which any of them or any of their Assets may be bound, or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent, Purchaser, any of their Subsidiaries or any of their Assets, except for such requirements, defaults, rights or violations under clauses (ii), (iii) and (iv) above which would not in the aggregate have a material adverse effect on the ability of Parent or Purchaser to consummate the Offer and the Merger.

SECTION 5.4. INFORMATION STATEMENT; SCHEDULE 14D-9. Neither the Offer Documents nor any other document filed or to be filed by or on behalf of Parent or Purchaser with the SEC or any other governmental entity in connection with the transactions contemplated by this Agreement contained when filed or will, at the respective times filed with the SEC or other governmental entity, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, that the foregoing shall not apply to information supplied by or on behalf of the Company specifically for inclusion or incorporation by reference in any such document. The Offer Documents will comply as to form in all material respects with

the provisions of the Exchange Act. None of the information supplied by Parent or Purchaser in writing for inclusion in the Information Statement or the Schedule 14D-9 will, at the respective times that the Information Statement and the Schedule 14D-9 or any amendments or supplements thereto are filed with the SEC and are first published or sent or given to holders of Shares, and in the case of the Information Statement, at the time that it or any amendment or supplement thereto is mailed to the Company's shareholders, at the time of the Shareholders' Meeting or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 5.5. SUFFICIENT FUNDS. Parent and its lenders are negotiating the terms of a credit facility to provide Purchaser with financing sufficient to permit Purchaser to consummate the Offer. Parent is highly confident that such financing will be available and has no reason to believe that Purchaser will not have sufficient funds available prior to the satisfaction of the conditions to the Offer set forth in Exhibit B hereto to purchase all Shares on a fully diluted basis at the Merger Price.

SECTION 5.6. BROKERS. Except for Bear, Stearns & Co. Inc. no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Parent or Purchaser.

ARTICLE VI

COVENANTS

SECTION 6.1. CONDUCT OF BUSINESS OF THE COMPANY. Except as contemplated by this Agreement or the Ancillary Agreements, during the period from the date of this Agreement to the consummation of the Offer and, if Parent has made a prompt request therefor pursuant to Section 1.4 hereof, until its Designated Directors (as defined in Section 8.4 hereof) shall constitute in their entirety a majority of the Company's Board of Directors, the Company and its Subsidiaries (other than Spinco and the Spinco Companies (as defined in the Distribution Agreement)) will each conduct its operations according to its ordinary course of business, consistent with past practice, will use its commercially reasonable efforts to (i) preserve intact its business organization, (ii) maintain its material rights and franchises, (iii) keep available the services of its officers and key employees, and (iv) keep in full force and effect insurance comparable in amount and scope of coverage to that maintained as of the date hereof (collectively, the "ORDINARY COURSE OBLIGATIONS"); provided, that Spinco and the Spinco Companies shall comply with the Ordinary Course Obligations to the extent that non-compliance therewith could adversely affect the Retained Business or adversely affect (or materially delay) the consummation of the Offer, the Merger or the Spin-Off. Without limiting the generality of and in addition to the foregoing, and except as otherwise contemplated by this Agreement or the Ancillary Agreements, prior to the time specified in the preceding sentence, neither the Company nor any of its Subsidiaries (other than Spinco and the Spinco Companies insofar as any action of the type specified below could not adversely affect the Retained Business and could not adversely affect (or materially delay) the Offer, the Spin-Off or the Merger) will, without the prior written consent of Parent:

(a) amend its charter or by-laws other than filing a Certificate of Amendment of the Company's Restated Certificate of Incorporation as contemplated by the Rights Agreement;

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities (except by the Company in connection with Stock Options, pursuant to the Rights Agreement as contemplated by the Distribution Agreement or pursuant to the current terms of any existing Plan) or amend any of the terms of any such securities or agreements (other than such securities or agreements of any Subsidiary other than any of the Retained Subsidiaries, or amendments of the Distribution Agreement as permitted thereunder) outstanding on the date hereof;

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock (other than pursuant to the Rights Agreement) or redeem or otherwise acquire any of its securities or any securities of its Subsidiaries (other than pursuant to the Rights Agreement); provided, that the Company may declare and pay to holders of Shares regular quarterly dividends of not more than $.08 per Share on the dividend declaration and payment dates normally applicable to the Shares.

(d) (i) pledge or otherwise encumber shares of capital stock of the Company or any of its Subsidiaries; or (ii) except in the ordinary course of business consistent with past practices, (A) incur, assume or prepay any long-term debt or incur, assume, or prepay any obligations with respect to letters of credit or any material short-term debt; (B) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for any material obligations of any other person except wholly owned Subsidiaries of the Company; (C) make any material loans, advances or capital contributions to, or investments in, any other person; (iv) change the practices of the Company and its Retained Subsidiaries with respect to the timing of payments or collections; or (D) mortgage or pledge any Assets of the Retained Business or create or permit to exist any material Lien thereupon;

(e) except (i) as disclosed in Section 6.1(e) of the Disclosure Schedule and except for arrangements entered into in the ordinary course of business consistent with past practices, (ii) as required by Law or (iii) as specifically provided for in the Agreement or Distribution Agreement, enter into, adopt or materially amend any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreements, trusts, plans, funds or other arrangements of or for the benefit or welfare of any Retained Employee (or any other person for whom the Retained Business will have Liability), or (except for normal increases in the ordinary course of business that are consistent with past practices) increase in any manner the compensation or fringe benefits of any Retained Employee (or any other person for whom the Retained Business will have Liability) or pay any benefit not required by any existing plan and arrangement (including, without limitation, the granting of stock options, stock appreciation rights, shares of restricted stock or performance units) or enter into any contract, agreement, commitment or arrangement to do any of the foregoing;

(f) transfer, sell, lease, license or dispose of any lines of business, Subsidiaries, divisions, operating units or facilities (other than facilities currently closed or currently proposed to be closed) relating to the Retained Business outside the ordinary course of business or enter into any material commitment or transaction with respect to the Retained Business outside the ordinary course of business;

(g) acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in or a portion of the Assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any Assets of any other person (other than the purchase of Assets in the ordinary course of business and consistent with past practice), in each case where such action would be material to the Retained Business;

(h) except as may be required by Law or as disclosed in Section 6.1(e) of the Disclosure Schedule, take any action to terminate or materially amend any of its pension plans or retiree medical plans with respect to or for the benefit of Retained Employees or any other person for whom the Retained Business will have Liability;

(i) materially modify, amend or terminate (1) any significant contract related to the Retained Business or waive any material rights or claims of the Retained Business except in the ordinary course of business consistent with past practice; or (2) any contract having an aggregate contract value of $100 million or greater, whether or not in the ordinary course of business consistent with past practice, unless such modification, amendment or termination does not materially diminish the projected profit or materially increase the projected loss anticipated from such contract; provided, that nothing contained in this Section 6.1(i) shall limit the Company and its Subsidiaries in connection with programs or contracts with respect to which Parent or a Subsidiary of Parent has submitted, or is reasonably expected to submit, a competing bid; provided further, that the provisions of this

Section 6.1(i) shall not apply to any arrangement, agreement or contract proposal previously submitted by the Company or a Subsidiary thereof which proposal, upon acceptance thereof, cannot be revised or withdrawn;

(j) effect any material change in any of its methods of accounting in effect as of March 31, 1995, except as may be required by Law or generally accepted accounting principles;

(k) except as expressly provided in this Agreement, amend, modify, or terminate the Rights Agreement or redeem any Rights thereunder; provided, that if the Board of Directors of the Company by a majority vote determines in its good faith judgment, based as to legal matters upon the written opinion of legal counsel, that the failure to redeem any Rights would likely constitute a breach of the Board's fiduciary duty, the Rights may be redeemed;

(l) enter into any material arrangement, agreement or contract that individually or in the aggregate with other material arrangements, agreements and contracts entered into after the date hereof, the Company reasonably expects will adversely affect in a significant manner the Retained Business after the date hereof; provided, that nothing contained in this Section 6.1(l) shall limit the Company and its Subsidiaries from submitting bids for programs or contracts with respect to which the Company reasonably expects Parent or a Subsidiary of Parent to submit a bid; and

(m) enter into a legally binding commitment with respect to, or any agreement to take, any of the foregoing actions.

SECTION 6.2. ACQUISITION PROPOSALS.

(a) The Company and its officers, directors, employees, representatives and agents shall immediately cease any existing discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Proposal (as defined in Section 6.2(b) hereof). The Company and its Subsidiaries will not, and will use their best efforts to cause their respective officers, directors, employees and investment bankers, attorneys, accountants or other agents retained by the Company or any of its Subsidiaries not to, (i) initiate or solicit, directly or indirectly, any inquiries with respect to, or the making of, any Acquisition Proposal, or (ii) except as permitted below, engage in negotiations or discussions with, or furnish any information or data to any Third Party (as defined in Section 8.3(b) hereof) relating to an Acquisition Proposal (other than the transactions contemplated hereby and by the Ancillary Agreements). Notwithstanding anything to the contrary contained in this Section 6.2, the Company may furnish information to, and participate in discussions or negotiations (including, as a part thereof, making any counter-proposal) with, any Third Party which submits an unsolicited written Acquisition Proposal to the Company if the Company's Board of Directors by a majority vote determines in its good faith judgment, based as to legal matters upon the written opinion of legal counsel, that the failure to furnish such information or participate in such discussions or negotiations would likely constitute a breach of the Board's fiduciary duties under applicable Law; provided, that nothing herein shall prevent the Board from taking, and disclosing to the Company's shareholders, a position contemplated by Rules 14D-9 and 14e-2 promulgated under the Exchange Act with regard to any tender offer; provided further, that the Board shall not recommend that the shareholders of the Company tender their Shares in connection with any such tender offer unless the Board by a majority vote determines in its good faith judgment, based as to legal matters on the written opinion of legal counsel, that failing to take such action would likely constitute a breach of the Board's fiduciary duty; provided further, that the Company shall not enter into any agreement with respect to any Acquisition Proposal except concurrently with or after the termination of this Agreement (except with respect to confidentiality and standstill agreements to the extent expressly provided below). The Company shall promptly provide Parent with a copy of any written Acquisition Proposal received and a written statement with respect to any non-written Acquisition Proposal received, which statement shall include the identity of the parties making the Acquisition Proposal and the terms thereof. The Company shall promptly inform Parent of the status and content of any discussions regarding any Acquisition Proposal with a Third Party. In no event shall the Company provide non-public information regarding the Retained Business to any Third Party making an Acquisition Proposal unless such party enters into a confidentiality agreement containing provisions designed to reasonably protect the confidentiality of such

information. In the event that following the date hereof the Company enters into a confidentiality agreement with any Third Party which does not include terms and conditions which are substantially similar to the provisions of Paragraph No. 7 (the "STANDSTILL PROVISIONS") of the letter agreement, dated as of December 4, 1995, between the Company and Parent (the "CONFIDENTIALITY AGREEMENT"), then Parent and its affiliates shall be released from their obligations under such Standstill Provisions to the same extent as such third party.

(b) For purposes of this Agreement, the term "ACQUISITION PROPOSAL" shall mean any bona fide proposal, whether in writing or otherwise, made by a Third Party to acquire beneficial ownership (as defined under Rule 13(d) of the Exchange Act) of all or a material portion of the Assets of, or any material equity interest in, any of the Company, a Retained Subsidiary or the Retained Business pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of Assets, tender offer or exchange offer or similar transaction involving either the Company, a Retained Subsidiary or the Retained Business, including, without limitation, any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of any material portion of the Assets of, or any material portion of the equity interest in, either the Company, a Retained Subsidiary or the Retained Business (other than the transactions contemplated by this Agreement and the Ancillary Agreements); provided, that the term "ACQUISITION PROPOSAL" shall not include any transactions which relate solely to the businesses to be owned by Spinco and the Spinco Companies following the Spin-Off and which could not have an adverse effect on the consummation of the Offer, the Merger, the Spin-Off or the transactions contemplated hereby.

SECTION 6.3. ACCESS TO INFORMATION.

(a) Between the date of this Agreement and the Effective Time, upon reasonable notice and at reasonable times, and subject to any access, disclosure, copying or other limitations imposed by applicable Law or any of the Company's or its Subsidiaries' contracts, the Company will give Parent and its authorized representatives reasonable access to all offices and other facilities and to all books and records of it and its Subsidiaries, and will permit Parent to make such inspections as it may reasonably require, and will cause its officers and those of its Subsidiaries to furnish Parent with (i) such financial and operating data and other information with respect to the Company and its Subsidiaries as Parent may from time to time reasonably request, or (ii) any other financial and operating data which materially impacts the Company and its Subsidiaries. Parent and its authorized representatives will conduct all such inspections in a manner which will minimize any disruptions of the business and operations of the Company and its Subsidiaries.

(b) Parent, Purchaser and the Company agree that the provisions of the Confidentiality Agreement shall remain binding and in full force and effect (subject, however, to the provisions of Section 6.2(a) hereof) and that the terms of the Confidentiality Agreement are incorporated herein by reference.

SECTION 6.4. REASONABLE EFFORTS. Subject to the terms and conditions of this Agreement and without limitation to the provisions of Section 6.6 hereof, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements (including, without limitation, (i) cooperating in the preparation and filing of the Offer Documents, the Schedule 14D-9, the Form 10, the Information Statement and any amendments to any thereof; (ii) cooperating in making available information and personnel in connection with presentations, whether in writing or otherwise, to prospective lenders to Parent and Purchaser that may be asked to provide financing for the transactions contemplated by this Agreement; (iii) taking of all action reasonably necessary, proper or advisable to secure any necessary consents or waivers under existing debt obligations of the Company and its Subsidiaries or amend the notes, indentures or agreements relating thereto to the extent required by such notes, indentures or agreements or redeem or repurchase such debt obligations; (iv) contesting any pending legal proceeding relating to the Offer, the Merger or the Spin-Off; and (v) executing any additional instruments necessary to consummate the transactions contemplated hereby and thereby). In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall use all reasonable efforts to take all such necessary action.

SECTION 6.5. CONSENTS. Each of the Company, Parent and Purchaser shall cooperate and use their respective reasonable efforts to make all filings and obtain all consents and approvals of governmental authorities (including, without limitation, the Federal Communication Commission ("FCC")) and other third parties necessary to consummate the transactions contemplated by this Agreement and the Ancillary Agreements. Each of the parties hereto will furnish to the other party such necessary information and reasonable assistance as such other persons may reasonably request in connection with the foregoing.

SECTION 6.6. ANTITRUST FILINGS.

(a) In addition to and without limiting the agreements of Parent and Purchaser contained in Section 6.5 hereof, Parent, Purchaser and the Company will (i) take promptly all actions necessary to make the filings required of Parent, Purchaser or any of their affiliates under the applicable Antitrust Laws (as defined in Section 6.6(e) hereof), (ii) comply at the earliest practicable date with any request for additional information or documentary material received by Parent, Purchaser or any of their affiliates from the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and from the Commission or other foreign governmental or regulatory authority pursuant to Antitrust Laws, and (iii) cooperate with the Company in connection with any filing of the Company under applicable Antitrust Laws and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement or the Ancillary Agreements commenced by any of the Federal Trade Commission, the Antitrust Division of the Department of Justice, state attorneys general, the Commission, or other foreign governmental or regulatory authorities.

(b) In furtherance and not in limitation of the covenants of Parent and Purchaser contained in Section 6.5 and Section 6.6(a) hereof, Parent, Purchaser and the Company shall each use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements under any Antitrust Law. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements as violative of any Antitrust Law, Parent, Purchaser and the Company shall each cooperate 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) (any such decree, judgment, injunction or other order is hereafter referred to as an "ORDER") that is in effect and that restricts, prevents or prohibits consummation of the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal. Parent and Purchaser shall each also use their respective reasonable efforts to take all reasonable action, including, without limitation, agreeing to hold separate or to divest any of the businesses or Assets of Parent or Purchaser or any of their affiliates, or, following the consummation of the Offer or the Effective Time, of the Company or any of the Retained Subsidiaries, as may be required (i) by the applicable governmental or regulatory authority (including without limitation the Federal Trade Commission, the Antitrust Division of the Department of Justice, any state attorney general or any foreign governmental or regulatory authority) in order to resolve such objections as such governmental or regulatory authority may have to such transactions under any Antitrust Law, or (ii) by any domestic or foreign court or other tribunal, in any action or proceeding brought by a private party or governmental or regulatory authority challenging such transactions as violative of any Antitrust Law, in order to avoid the entry of, or to effect the dissolution, vacating, lifting, altering or reversal of, any Order that has the effect of restricting, preventing or prohibiting the consummation of the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements; provided, that Parent shall not be required to take any action, divest any Asset or enter into any consent decree if the taking of such action, disposing of such Asset or entering into such decree would have a Significant Adverse Effect. "SIGNIFICANT ADVERSE EFFECT" shall mean any change or effect that, in Parent's judgment, is reasonably likely to adversely affect in a substantial way the benefits and opportunities which Parent reasonably expects to receive from the acquisition of the Retained Business or from Parent's current business.

(c) Each of the Company, Parent and Purchaser shall promptly inform the other party of any material communication received by such party from the Federal Trade Commission, the Antitrust Division of the Department of Justice, the Commission or any other governmental or regulatory authority regarding any of the transactions contemplated hereby. Parent and/or Purchaser will promptly advise the Company with respect to any understanding, undertaking or agreement (whether oral or written) which it proposes to make or enter into with any of the foregoing parties with regard to any of the transactions contemplated hereby.

(d) "ANTITRUST LAW" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, EC Merger Regulations and all other federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

SECTION 6.7. PUBLIC ANNOUNCEMENTS. Parent, Purchaser and the Company will consult with each other before issuing any press release or otherwise making any public statements with respect to the Offer, the Spin-Off or the Merger and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by Law or by obligations pursuant to any listing agreement with any securities exchange.

SECTION 6.8. EMPLOYEE AGREEMENTS.

(a) Prior to the Spin-Off, the Company shall use its best efforts to, and shall use its best efforts to cause its Subsidiaries to, assign to Spinco or Subsidiaries of Spinco or terminate all employment agreements with employees of the Company who are not Retained Employees (the "EMPLOYMENT AGREEMENTS") and all individual severance agreements with employees of the Company who are not Retained Employees (the "SEVERANCE AGREEMENTS"). The parties hereto acknowledge and agree that, whether or not such Employment Agreements and Severance Agreements are so assigned or terminated, all Liabilities under or arising from such Employment Agreements and Severance Agreements other than as expressly contemplated in the Distribution Agreement or by this Section 6.8 shall be deemed to be Spinco Liabilities (as defined in the Distribution Agreement), with respect to which Spinco shall indemnify the Company and Parent as provided therein.

(b) Parent acknowledges and agrees that all employment agreements and severance agreements with the Retained Employees will be binding and enforceable obligations of the Surviving Corporation, except as the parties thereto may otherwise agree. The parties hereto acknowledge and agree that all Liabilities under or arising from such agreements with the Retained Employees from and after the consummation of the Offer shall be deemed to be Company Liabilities (as defined in the Distribution Agreement), with respect to which the Company and Parent shall indemnify Spinco as provided therein.

(c) (i) Parent agrees to cause the Company to pay in cash to each Company Bonus Employee (as defined below) to the extent not previously paid, all bonus compensation payable with respect to the fiscal year of the Company ending March 31, 1996 under any bonus program of the Company or its Subsidiaries in which such Company Bonus Employee participated prior to the consummation of the Offer or under any employment agreement. Such bonus compensation shall be paid at the time or times that comparable bonus compensation was paid to any similarly situated employee after March 31, 1995 with respect to the fiscal year ended March 31, 1995. Bonus compensation which is based on objective criteria shall be calculated and paid in accordance with such criteria. With respect to bonus compensation which is wholly or partially discretionary, such bonus compensation shall be determined and paid on a basis consistent with past practices of the Company. Subject to Section 6.8(c)(iii), the amount of discretionary bonus compensation to be paid to any Company Bonus Employee shall be determined by the Chief Executive Officer of the Company in office immediately prior to the date of the consummation of the Offer or by his designee. "COMPANY BONUS EMPLOYEE" means a person, other than a Spinco Employee, employed by the Company or any of its Subsidiaries immediately prior to the date the Offer is consummated, who was eligible to receive a bonus under any bonus program of the Company or any of its Subsidiaries in effect at December 31, 1995, or under any employment agreement in effect on such date, with respect to the fiscal year ending March 31, 1996.

(ii) Spinco agrees to pay in cash to each Spinco Bonus Employee (as defined in this Section 6.8(c)(ii)) to the extent not previously paid, all bonus compensation payable with respect to the fiscal year of the Company ending March 31, 1996 under any bonus program of the Company or its Subsidiaries in which such Spinco Bonus Employee participated prior to the consummation of the Offer or under any employment agreement. Such bonus compensation shall be paid at the time or times that comparable bonus compensation was paid to any similarly situated employee after March 31, 1995 with respect to the fiscal year ended March 31, 1995. Bonus compensation which is based on objective criteria shall be calculated and paid in accordance with such criteria. With respect to bonus compensation which is wholly or partially discretionary, such bonus compensation shall be determined and paid on a basis consistent with past practices of the Company. Subject to Section 6.8(c)(iii), the amount of discretionary bonus compensation to be paid to any Spinco Bonus Employee shall be determined by Spinco. "SPINCO BONUS EMPLOYEE" means any Spinco Employee employed by the Company or any of its Subsidiaries immediately prior to the date the Offer is consummated, who was eligible to receive a bonus under any bonus program of the Company or any of its Subsidiaries in effect at December 31, 1995, or under any employment agreement in effect on such date, with respect to the fiscal year ending March 31, 1996. Upon payment of such bonuses to Spinco Bonus Employees, Spinco shall submit to Parent a statement showing the individual and aggregate bonus amounts paid to Spinco Bonus Employees, and Parent shall thereupon promptly pay to Spinco (or cause the Company to pay to Spinco) the aggregate amount of bonuses so paid; provided, that if the consummation of the Offer occurs prior to March 31, 1996, the amount of such reimbursement shall be a prorated amount of the aggregate bonus amounts so paid, based on a fraction, the numerator of which is the number of days of the Company's fiscal year ending March 31, 1996 which had elapsed as of the consummation of the Offer, and the denominator of which is 365.

(iii) The aggregate amount of discretionary bonuses payable to all Company Bonus Employees and Spinco Bonus Employees as a group for the fiscal year ending March 31, 1996 shall not exceed a dollar amount to be mutually agreed to by the Chief Executive Officer of Parent and the Chief Executive Officer of Spinco; provided, that in the event the Chief Executive Officer of Parent and the Chief Executive Officer of Spinco cannot agree on such dollar amount, the maximum aggregate amount of discretionary bonuses payable to Company Bonus Employees and Spinco Bonus Employees shall be based on the aggregate amount of discretionary bonuses paid to all such employees for the Company's fiscal year ending March 31, 1995, increased by a percentage equal to the average of the percentage increases in discretionary bonuses paid to all such employees over the Company's three fiscal years ending March 31, 1993, 1994 and 1995.

(d) Pursuant to the "change of control" provisions of the Restated Employment Agreement between the Company and Bernard L. Schwartz dated April 1, 1990, as amended June 14, 1994, the Company shall, subject to the following sentences of this Section 6.8(d), make a cash payment to Mr. Schwartz upon consummation of the Offer, calculated in accordance with such agreement, less $18 million. The Company also may make a cash payment of a bonus (inclusive of the amount paid to Mr. Schwartz pursuant to the preceding sentence, the "TRANSACTION BONUS") to Transaction Bonus Employees (as defined below) other than Mr. Schwartz; provided, that the aggregate Transaction Bonus paid shall not exceed $40 million; and provided further, that the Transaction Bonus payable to any Transaction Bonus Employee shall not exceed the maximum amount which can be paid at such time without such amounts being treated as "excess parachute payments" within the meaning of Section 280G of the Code, taking into account all payments made on or prior to the time the Transaction Bonus is paid (including the value of accelerated vesting of stock options or restricted shares granted under the 1987 Plan determined in accordance with proposed regulations promulgated under Section 280G of the Code) which constitute parachute payments for purposes of Section 280G of the Code. The Transaction Bonus may be paid by the Company, in its discretion, prior to, on or immediately following, the date the Offer is consummated. "TRANSACTION BONUS EMPLOYEE" means Mr. Schwartz and each person employed by the Company or any of its Subsidiaries on or prior to the date the Offer is consummated who is selected by Mr. Schwartz to receive a Transaction Bonus.

(e) The Company may provide for employment protection payments to be made to certain Company employees upon qualifying terminations of employment pursuant to "Employment Protection Agreements" and

an "Employment Protection Plan," (each substantially in the forms attached hereto as Exhibits C and D, respectively; together, the "EMPLOYMENT PROTECTION ARRANGEMENTS") occurring after a change in control of the Company; provided, that (i) neither the execution of this Agreement and the Distribution Agreement, nor any transaction contemplated thereby, shall constitute a change in control of the Company for any purpose under the Employment Protection Arrangements or give rise to any rights thereunder and (ii) the Employment Protection Arrangements shall terminate as of the consummation of the Offer and no rights thereunder shall continue after the consummation of the Offer.

SECTION 6.9. EMPLOYEE BENEFITS.

(a) Prior to the Effective Time, the Company shall adopt a severance plan substantially in the form attached hereto as Exhibit E (the "SUPPLEMENTAL SEVERANCE PLAN") covering up to 150 employees of the Company or its Subsidiaries selected by the Company prior to the Effective Time.

(b) Except with respect to accruals under any defined benefit pension plans, Parent will, or will cause the Company to, give Retained Employees full credit for purposes of eligibility, vesting and determination of the level of benefits under any employee benefit plans or arrangements maintained by the Parent, the Company or any Subsidiary of Parent or Company for such Retained Employees' service with the Company or any Subsidiary of the Company to the same extent recognized by the Company immediately prior to the Effective Time. Parent will, or will cause the Company to, (i) waive all limitations as to pre-existing conditions exclusions and waiting periods with respect to participation and coverage requirements applicable to the Retained Employees under any welfare plans that such employees may be eligible to participate in after the Effective Time, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Effective Time under any welfare plan maintained for the Retained Employees immediately prior to the Effective Time, and (ii) provide each Retained Employee with credit for any co-payments and deductibles paid prior to the Effective Time in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans that such employees are eligible to participate in after the Effective Time.

SECTION 6.10. ANCILLARY AGREEMENTS; SPIN-OFF.

(a) Simultaneously with the execution hereof, the Company and certain of its Subsidiaries are entering into the Distribution Agreement. Immediately prior to the Record Date, the Company, Spinco and certain other parties will enter into the Tax Sharing Agreement. From and after the Effective Time, Parent shall cause the Surviving Corporation to perform any and all obligations and agreements of the Company set forth herein or in the Ancillary Agreements or in any other agreements contemplated herein or therein.

(b) Parent and Purchaser accept and agree that, subject to the provisions of the Distribution Agreement, the form of certificate of incorporation and by-laws of Spinco adopted in contemplation of the Spin-Off shall be as agreed to by the Company and Spinco in their sole discretion; provided, that nothing in the certificates of incorporation and by-laws shall adversely affect or otherwise limit (i) Spinco's ability to perform its obligations under the Ancillary Agreements or the other agreements contemplated by the Distribution Agreement or (ii) the Company's or its affiliates' rights under the Stockholders Agreement.

(c) In no event shall Parent or Purchaser or any of their Subsidiaries be entitled to receive any shares of Spinco Common Stock as a distribution with respect to Shares purchased upon consummation of the Offer. If, for any reason, any shares of Spinco Common Stock distributed in the Spin-Off are received by Parent or Purchaser or any of their Subsidiaries with respect to Shares acquired by Purchaser in the Offer, then Parent or Purchaser shall convey, on behalf of the Company, such shares of Spinco to the stockholders of the Company who would have otherwise received such shares of Spinco pursuant to the Distribution Agreement; provided, that the foregoing provisions shall not apply with respect to Shares held by Parent or any of its Subsidiaries prior to the date hereof.

(d) If the Company reasonably determines that the Spin-Off may not be effected without registering the shares of common stock of Spinco to be distributed in the Spin-Off pursuant to the Securities Act, the Company,

Parent and Purchaser, as promptly as practicable, shall use their respective best efforts to cause the shares of Spinco to be registered pursuant to the Securities Act and thereafter effect the Spin-Off in accordance with the terms of the Distribution Agreement including, without limitation, by preparing and filing on an appropriate form a registration statement under the Securities Act covering the shares of Spinco and using their respective best efforts to cause such registration statement to be declared effective and preparing and making such other filings as may be required under applicable state securities Laws.

(e) Parent shall, and shall cause the Surviving Corporation to, treat the Spin-Off for purposes of all federal and state taxes as an integrated transaction with the Offer and the Merger and thus report the Spin-Off as a constructive redemption of a number of Shares equal in value to the value of the Spinco Common Stock distributed in the Spin-Off.

SECTION 6.11. RETAINED BUSINESS FINANCIAL STATEMENTS. The Company will forthwith prepare, and retain Coopers & Lybrand L.L.P. to audit, balance sheets for the Retained Business as at March 31, 1993, March 31, 1994, March 31, 1995 and the Effective Time, together with statements of operations and cash flows for the periods then ended (collectively, the "RETAINED BUSINESS FINANCIAL STATEMENTS"). The Company hereby agrees to use its best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable to assist and otherwise cause Coopers & Lybrand L.L.P. to complete the audit of the Retained Business Financial Statements as promptly as reasonably practicable, but in no event later than 45 days after the date of this Agreement; provided, that with respect to the period ended the Effective Time, the information will be provided no later than 15 days prior to the latest date on which Parent may file a Current Report on Form 8-K with respect to the Merger and still be in compliance with the regulations promulgated by the SEC under the Exchange Act. The Company will pay the fees and expenses for auditing the Retained Business Financial Statements. The Company also agrees to provide promptly to Parent such quarterly unaudited financial information relating to the Retained Business and covering the period ending December 31, 1995 and the quarterly and annual periods following the date hereof within five days after the filing by the Company with the SEC of its quarterly reports on Form 10-Q and Annual Report on Form 10-K, as the case may be.

SECTION 6.12. REDEMPTION OF RIGHTS. At Parent's request, the Company will take such action as Parent may request to effectuate the redemption, at any time before the purchase by Purchaser pursuant to the Offer of at least a majority of the outstanding Shares, of the Rights (as defined in the Rights Agreement).

SECTION 6.13. PRE-CLOSING CONSULTATION. Following the date hereof and prior to the Effective Time, the Company shall designate a senior officer of the Company (the "COMPANY REPRESENTATIVE") to consult with an officer of Parent designated by Parent (the "PARENT REPRESENTATIVE") with respect to major business decisions to be made concerning the operation of the Retained Business. Such consultation shall be made on as frequent a basis as may be reasonably requested by Parent. The parties hereto acknowledge and agree that the agreements set forth in this Section 6.13 shall be subject to any restrictions or limitations required under applicable Law.

SECTION 6.14. INDEMNIFICATION.

(a) From and after the Effective Time, Parent shall cause the Surviving Corporation to indemnify, defend and hold harmless the present and former officers, directors, employees and agents of the Company and its Subsidiaries (the "INDEMNIFIED PARTIES") against all losses, claims, damages, expenses or liabilities arising out of or related to actions or omissions or alleged actions or omissions occurring at or prior to the Effective Time to the same extent and on the same terms and conditions (including with respect to advancement of expenses) provided for in the Company's Restated Certificate of Incorporation and By-Laws and agreements in effect as of December 31, 1995 (to the extent consistent with applicable Law), which provisions will survive the Merger and continue in full force and effect after the Effective Time. Without limiting the foregoing, (i) Parent shall, and shall cause the Surviving Corporation to, periodically advance expenses (including attorney's fees) as incurred by an Indemnified Person with respect to the foregoing to the full extent permitted under the Company's Restated Certificate of Incorporation and By-Laws in effect on the date hereof (to the extent consistent with applicable Law) and (ii) any determination required to be made with respect to whether an Indemnified Party shall be

entitled to indemnification shall, if requested by such Indemnified Party, be made by independent legal counsel selected by the Surviving Corporation and reasonably satisfactory to such Indemnified Party. Parent hereby guarantees the obligation of the Surviving Corporation provided for under this Section 6.14(a); provided, that the guarantee obligation of Parent provided for herein shall, in the aggregate, be limited to an amount equal to the Net Worth of the Company. "NET WORTH OF THE COMPANY" means an amount equal to (i) the aggregate value of the consolidated assets of the Retained Business less (ii) the aggregate value of the consolidated liabilities of the Retained Business, each as reflected on the books and records of the Company as of the most recent quarterly period ended prior to the date of the consummation of the Offer.

(b) For a period of six years after the Effective Time, Parent shall use reasonable efforts to cause to be maintained in effect the current policies of directors and officers liability insurance maintained by the Company (provided that Parent may substitute therefor policies with reputable and financially sound carriers of at least the same coverage and amounts containing terms and conditions which are no less advantageous) with respect to claims arising from or related to facts or events which occurred at or before the Effective Time; provided, that Parent shall not be obligated to make annual premium payments for such insurance to the extent such premiums exceed 150% of the annual premiums paid as of the date hereof by the Company for such insurance (the "MAXIMUM AMOUNT"). If the amount of the annual premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, Parent and the Surviving Corporation shall maintain the most advantageous policies of directors, and officers' insurance obtainable for an annual premium equal to the Maximum Amount.

(c) The provisions of this Section 6.14 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

SECTION 6.15 BOARD OF DIRECTORS OF PARENT. Upon the consummation of the Offer or as soon as practicable thereafter, Parent shall use its best efforts and take all reasonable steps to cause (a) Bernard L. Schwartz to be appointed a member and Vice Chairman and Frank C. Lanza to be appointed a member, of the Board of Directors of Parent; and (b) the bylaws of Parent to be amended to modify the eligibility requirements of directors to permit Mr. Schwartz to continue to be eligible to serve as a director through 2001, without prejudice or commitment with respect to any further continuation of eligibility thereafter.

SECTION 6.16 STANDSTILL PROVISIONS. The restrictions on Parent and its affiliates contained in the Standstill Provisions (as defined in Section 6.2(a) hereof) (the "RESTRICTIONS") are hereby waived and Parent and Purchaser are hereby released therefrom (a) as of and after the date hereof to the extent necessary to permit Parent and Purchaser to comply with their respective obligations and to enable Parent and Purchaser to exercise any of their respective rights, under or as contemplated by this Agreement; and (b) as of and after the termination of this Agreement (other than by the Company pursuant to Section 8.1(f) hereof) if at such time or thereafter there is proposed a Third Party Acquisition (as defined in Section 8.3(b) hereof); provided, that the Restrictions shall not be waived under this Section 6.16(b) with respect to any proposal by Parent, Purchaser and their affiliates to acquire, directly or indirectly, both the Retained Business and all or substantially all of the Spinco Business, whether by merger, consolidation or otherwise, unless the proposed Third Party Acquisition also contemplates a transaction or series of transactions in which both the Retained Business and all or substantially all of the Spinco Business would be acquired, directly or indirectly, by the Third Party or its affiliates.

SECTION 6.17 EFFECTIVENESS OF RIGHTS AGREEMENT. On or before January 10, 1996 the Company shall execute and deliver, and cause a person qualified to be the Rights Agent under the Rights Agreement to execute and deliver, each of the Rights Agreement and the Rights Amendment so that each shall be valid and binding agreements of the Company.

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE MERGER

SECTION 7.1. CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligation of each party to effect the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) This Agreement shall have been adopted by the affirmative vote of the stockholders of the Company by the requisite vote in accordance with applicable Law, if required by applicable Law;

(b) No statute, rule, regulation, order, decree, or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits or restricts the consummation of the Merger;

(c) Any waiting period applicable to the Merger under the Antitrust Laws shall have terminated or expired and all approvals required under the Antitrust Laws shall have been received;

(d) The Spin-Off shall have been consummated in all material respects; and

(e) The Offer shall not have been terminated in accordance with its terms prior to the purchase of any Shares.

SECTION 7.2. CONDITIONS TO THE OBLIGATION OF THE COMPANY TO EFFECT THE MERGER. The obligation of the Company to effect the Merger is further subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) The representations and warranties of Parent and Purchaser contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time; and

(b) Each of Parent and Purchaser shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Effective Time pursuant to the terms hereof.

Parent and Purchaser will furnish the Company with such certificates and other documents to evidence the fulfillment of the conditions set forth in this Section 7.2 as the Company may reasonably request.

SECTION 7.3. CONDITIONS TO OBLIGATIONS OF PARENT AND PURCHASER TO EFFECT THE MERGER. The obligations of Parent and Purchaser to effect the Merger are further subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) The representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as such time;

(b) The Company shall have delivered to Purchaser and (i) Bank of America, Illinois (formerly known as Continental Bank, National Association), one or more opinions of counsel acceptable to Bank of America, Illinois, stating that the Merger complies with (A) Article IV of the Indenture dated as of January 15, 1992 between the Company and Continental Bank, National Association, as trustee; and (B) Article Nine of the Indenture dated as of September 1, 1993 between the Company and Continental Bank, National Association, as trustee, as supplemented by a First Supplemental Indenture dated as of June 1, 1994 between the Company and Continental Bank, National Association, as trustee; and (ii) NationsBank of Georgia, National Association, an opinion of counsel acceptable to NationsBank of Georgia, National Association, stating that the Merger complies with Article Nine of the Indenture dated as of November 1, 1992 between the Company and NationsBank of Georgia, National Association, as trustee (collectively, the "PUBLIC INDENTURE MERGER OPINIONS");

(c) The Company shall have performed in all material respects each of its obligations under this Agreement required to be performed by it at or prior to the Effective Time pursuant to the terms hereof.

The Company will furnish Parent and Purchaser with such certificates and other documents to evidence the fulfillment of the conditions set forth in this Section 7.3 as Parent or Purchaser may reasonably request.

SECTION 7.4. EXCEPTION. The conditions set forth in Sections 7.2 and 7.3 hereof shall cease to be conditions to the obligations of any of the parties hereto if Purchaser shall have accepted for payment and paid for Shares validly tendered pursuant to the Offer or if Purchaser fails to accept for payment any Shares pursuant to the Offer in violation of the terms thereof.

ARTICLE VIII

TERMINATION; AMENDMENT; WAIVER

SECTION 8.1. TERMINATION. This Agreement may be terminated and the Offer and the Merger may be abandoned at any time (notwithstanding approval of the Merger by the stockholders of the Company) prior to the Effective Time:

(a) by mutual written consent of Parent, Purchaser and the Company;

(b) by Parent, Purchaser or the Company if any court of competent jurisdiction in the United States or other United States governmental body shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the consummation of the Offer, the Spin-Off or the Merger and such order, decree, ruling or other action is or shall have become nonappealable;

(c) by Parent or Purchaser if due to an occurrence or circumstance which would result in a failure to satisfy any of the conditions set forth in Exhibit B hereto, Purchaser shall have (i) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (ii) terminated the Offer or (iii) failed to pay for Shares pursuant to the Offer prior to June 30, 1996;

(d) by the Company if (i) there shall not have been a material breach of any representation, warranty, covenant or agreement on the part of the Company and Purchaser shall have (A) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (B) terminated the Offer or (C) failed to pay for Shares pursuant to the Offer prior to June 30, 1996 or (ii) prior to the purchase of Shares pursuant to the Offer, a Third Party shall have made a bona fide offer that the Board of Directors of the Company by a majority vote determines in its good faith judgment and in the exercise of its fiduciary duties, based as to legal matters on the written opinion of legal counsel, is a Higher Offer (as defined in Section 8.3(b) hereof); provided, that such termination under this clause (ii) shall not be effective until payment of the fee required by Section 8.3(a) hereof;

(e) by Parent or Purchaser prior to the purchase of Shares pursuant to the Offer, if (i) there shall have been a breach of any representation or warranty on the part of the Company or Spinco under either this Agreement or the Distribution Agreement having a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, (ii) there shall have been a breach of any covenant or agreement on the part of the Company or Spinco under either this Agreement or the Distribution Agreement resulting in a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, which shall not have been cured prior to the earlier of (A) 10 days following notice of such breach and (B) two Business Days prior to the date on which the Offer expires, (iii) the Company shall engage in Active Negotiations (as defined in Section 8.3(b) hereof) with a Third Party with respect to a Third Party Acquisition (as defined in Section 8.3(b) hereof), (iv) the Board of Directors of the Company shall have withdrawn or modified (including by amendment of Schedule 14D-9) in a manner adverse to Purchaser its approval or recommendation of the Offer, the Spin-Off, the Merger, this Agreement or the Distribution Agreement, shall have recommended to the Company's stockholders another offer, shall have authorized the redemption of any Rights (whether or not in accordance with Section 6.1(k) hereof) after the Company's receipt of an Acquisition Proposal or shall have adopted any resolution to effect any of the foregoing or (v) there shall not have been validly tendered and not withdrawn prior to the expiration of the Offer at least two-thirds of the Shares, determined on a fully diluted

basis, and on or prior to such date an entity or group (other than Parent or Purchaser) shall have made and not withdrawn a proposal with respect to a Third Party Acquisition; or

(f) by the Company if (i) there shall have been a breach of any representation or warranty in this Agreement or the Distribution Agreement on the part of Parent or Purchaser which materially adversely affects (or materially delays) the consummation of the Offer or (ii) there shall have been a material breach of any covenant or agreement in this Agreement or the Distribution Agreement on the part of Parent or Purchaser which materially adversely affects (or materially delays) the consummation of the Offer which shall not have been cured prior to the earliest of (A) 10 days following notice of such breach and (B) two Business Days prior to the date on which the Offer expires.

SECTION 8.2 EFFECT OF TERMINATION. In the event of the termination and abandonment of this Agreement pursuant to Section 8.1, this Agreement shall forthwith become void and have no effect, without any Liability on the part of any party hereto or its affiliates, directors, officers or shareholders, other than the provisions of this Section 8.2 and Sections 6.3(b), 6.14, 8.3, 9.3 and 9.11 hereof. Nothing contained in this Section 8.2 shall relieve any party from Liability for any breach of this Agreement.

SECTION 8.3 FEES AND EXPENSES.

(a) If:

(i) Parent or Purchaser terminates this Agreement pursuant to Section 8.1(e)(ii), (iii) or (v) hereof and within 12 months thereafter the Company enters into an agreement with respect to a Third Party Acquisition, or a Third Party Acquisition occurs, involving any party (or any affiliate thereof) (A) with whom the Company (or its agents) had negotiations with a view to a Third Party Acquisition, (B) to whom the Company (or its agents) furnished information with a view to a Third Party Acquisition or (C) who had submitted a proposal or expressed an interest in a Third Party Acquisition, in the case of each of clauses (A), (B) and (C) after the date hereof and prior to such termination; or

(ii) Parent or Purchaser terminates this Agreement pursuant to Section 8.1(e)(iii) or (v) hereof and, within 12 months thereafter, a Third Party Acquisition shall occur involving a Higher Offer; or

(iii) Parent or Purchaser terminates this Agreement pursuant to Section 8.1(e)(iv) hereof; or

(iv) the Company terminates this Agreement pursuant to Section 8.1(d)(ii) hereof;

then, in each case, the Company shall pay to Parent, within one Business Day following the execution and delivery of such agreement or such occurrence, as the case may be, or simultaneously with such determination pursuant to Section 8.1(d)(ii), a fee, in cash, of $175 million; provided, that the Company in no event shall be obligated to pay more than one such $175 million fee with respect to all such agreements and occurrences and such termination.

(b) "ACTIVE NEGOTIATIONS" means negotiations with a Third Party that has proposed a Third Party Acquisition or made an Acquisition Proposal, or with such Third Party's agents or representatives with respect to the substance of such Third Party Acquisition or Acquisition Proposal, but will not include (x) communications in connection with, or constituting, the furnishing of information pursuant to a confidentiality agreement as contemplated by Section 6.2(a) hereof or (y) communications that include no more than an explicit bona fide rejection of such proposal and a very brief statement of the reasons therefor. "THIRD PARTY ACQUISITION" means the occurrence of any of the following events: (i) the acquisition of the Company by merger or otherwise by any person (which includes for these purposes a "person" as defined in Section 13(d)(3) of the Exchange Act) or entity other than Parent, Purchaser or any affiliate thereof (a "THIRD PARTY"); (ii) the acquisition by a Third Party of more than 30% of the total Assets of the Company and its Subsidiaries, taken as a whole; (iii) the acquisition by a Third Party of 30% or more of the outstanding Shares; (iv) the adoption by the Company of a plan of liquidation or the declaration or payment of an extraordinary dividend; or (v) the purchase by the Company or any of its Subsidiaries of more than 20% of the outstanding Shares. "HIGHER OFFER" means any Third Party Acquisition which reflects a higher value for the Shares than the aggregate value being provided

pursuant to the transactions contemplated by this Agreement and the Ancillary Agreements including, without limitation, the shares of Spinco Common Stock distributed in the Spin-Off. Prior to the termination of this Agreement by the Company pursuant to Section 8.1(d)(ii) hereof, the Board of Directors shall provide a reasonable opportunity to a nationally recognized investment banking firm selected by Parent, Purchaser or their designee (the "IB") to evaluate the proposed Third Party Acquisition, to determine whether it is a Higher Offer and to advise the Board of Directors of the Company of the basis for and results of its determination. The Company agrees to cooperate and cause the Company's financial advisors to cooperate with the IB (including, without limitation, providing the IB with full access to all such information which the IB deems relevant and which the IB agrees to keep confidential) to the extent reasonably requested by the IB. The fees and expenses incurred by the IB shall be paid by Parent. Nothing contained in this Section 8.3(b) shall prevent Parent and Purchaser from challenging, by injunction or otherwise, the termination or attempted termination of this Agreement pursuant to Section 8.3(d)(ii) hereof.

(c) If this Agreement is terminated pursuant to Sections 8.1(e)(i) or 8.1(e)(ii) (the "DESIGNATED TERMINATION PROVISIONS") or Parent is entitled to receive the $175 million fee under Section 8.3(a) hereof, then the Company shall reimburse Parent, Purchaser and their affiliates (not later than one Business Day after submission of statements therefore) for actual documented out-of-pocket fees and expenses, not to exceed $45 million, actually incurred by any of them or on their behalf in connection with the Offer, the proposed Merger and the proposed Spin-Off and the transactions contemplated by this Agreement and the Distribution Agreement (including, without limitation, fees payable to financing sources, investment bankers (including to the IB), counsel to any of the foregoing and Accountants), whether incurred prior to or after the date hereof. The Company shall in any event pay the amount requested (not to exceed $45 million) within one Business Day of such request, subject to the Company's right to demand a return of any portion as to which invoices are not received in due course.

(d) Except as specifically provided in this Section 8.3 and except as otherwise specifically provided in the Distribution Agreement, each party shall bear its own respective expenses incurred in connection with this Agreement, the Offer and the Merger, including, without limitation, the preparation, execution and performance of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, and all fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants.

(e) Notwithstanding anything to the contrary contained in this Agreement, upon payment by the Company of the amounts referred to in this Section 8.3(a), the Company shall be released from all Liability hereunder, including any Liability for any claims by Parent, Purchaser or any of their affiliates based upon or arising out of any breach of this Agreement or any Ancillary Agreement. The parties agree that reimbursement of Parent's expenses pursuant to Section 8.3(c) hereof in connection with a termination of this Agreement pursuant to any of the Designated Termination Provisions does not constitute the payment of liquidated damages and, except to the extent of the payment thereunder, shall not limit the Liability of the Company for any claims by Parent, Purchaser or any of their affiliates based upon or arising out of any breach of this Agreement or any Ancillary Agreement.

SECTION 8.4. AMENDMENT. This Agreement may be amended by action taken by the Company, Parent and Purchaser at any time before or after adoption of the Merger by the stockholders of the Company, if any; provided that (a) in the event that any persons designated by Parent pursuant to Section 1.4 hereof (such directors are hereinafter referred to as the "DESIGNATED DIRECTORS") constitute in their entirety a majority of the Company's Board of Directors, no amendment shall be made which decreases the cash price per Share or which adversely affects the rights of the Company's stockholders hereunder without the approval of a majority of the Continuing Directors (as hereafter defined) if at the time there shall be any Continuing Directors and (b) after the date of adoption of the Merger by the stockholders of the Company, no amendment shall be made which decreases the cash price per Share or which adversely affects the rights of the Company's stockholders hereunder without the approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties. For purposes hereof, the term "CONTINUING DIRECTOR" shall mean (a) any member of the Board of Directors of the Company as of the date hereof, (b) any member of the Board of

Directors of the Company who is unaffiliated with, and not a Designated Director or other nominee of, Parent or Purchaser or their respective Subsidiaries, and (c) any successor of a Continuing Director who is (i) unaffiliated with, and not a Designated Director or other nominee of, Parent or Purchaser or their respective Subsidiaries and (ii) recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors.

SECTION 8.5. EXTENSION; WAIVER. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties of the other parties contained herein or in any document, certificate or writing delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions of the other parties hereto contained herein; provided that (x) in the event that any Designated Directors constitute in their entirety a majority of the Company's Board of Directors, no extensions or waivers shall be made which adversely affect the rights of the Company's stockholders hereunder without the approval of a majority of the Continuing Directors if at the time there shall be any Continuing Directors and (y) after the date of adoption of the Merger by the stockholders of the Company, no extensions or waivers shall be made which adversely affect the rights of the Company's stockholders hereunder without the approval of such stockholders. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1. SURVIVAL. Except as otherwise expressly set forth in the Distribution Agreement, the representations, warranties, covenants and agreements made herein shall not survive beyond the Effective Time; provided, that the covenants and agreements contained in Sections 2.7, 2.10, 3.1, 3.2, 6.3(b), 6.4, 6.5, 6.6, 6.8, 6.9, 6.10, 6.14, 8.2, 8.3, 8.4, 8.5, 9.3, 9.5 and 9.11 hereof shall survive beyond the Effective Time without limitation.

SECTION 9.2. ENTIRE AGREEMENT. Except for the provisions of the Confidentiality Agreement which shall continue in full force and effect, this Agreement (including the schedules and exhibits and the agreements and other documents referred to herein, including, without limitation, the Ancillary 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.

SECTION 9.3. 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 principles of conflicts Law) as to all matters, including, without limitation, matters of validity, construction, effect, performance and remedies.

SECTION 9.4. 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):

(a) If to the Parent or Purchaser, to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Telephone: (301) 897-6125
Telecopy: (301) 897-6333
Attention: General Counsel

with a copy to:

O'Melveny & Myers
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 326-2000
Telecopy: (212) 326-2061
Attention: C. Douglas Kranwinkle, Esq.
Jeffrey J. Rosen, Esq.

and to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000
Telecopy: (212) 735-2001
Attention: Peter Allan Atkins, Esq.
Lou R. Kling, Esq.

(b) If to the Company, to:

Loral Corporation
600 Third Avenue
New York, New York 10016
Telephone: (212) 697-1105
Telecopy: (212) 661-8988
Attention: General Counsel

with a copy to:

Willkie Farr & Gallagher
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 821-8000
Telecopy: (212) 821-8111
Attention: Robert B. Hodes, Esq.
Bruce R. Kraus, Esq.

SECTION 9.5. SUCCESSORS AND ASSIGNS; 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 either party (whether by operation of law or otherwise) without the prior written consent of the other party; provided, that Parent may assign its rights and obligations hereunder or those of Purchaser to Parent or any subsidiary of Parent, and Spinco may assign its rights and obligations hereunder to any successor to Spinco, but in each case no such assignment shall relieve Parent, Purchaser or Spinco, as the case may be, of its obligations hereunder. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and except for Sections 2.7, 2.10, 6.8 and 6.10 hereof 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 9.6. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

SECTION 9.7. 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. Except as

otherwise expressly provided in this Agreement, as used in this Agreement, the term "person" shall have the meaning assigned to that term in the Distribution Agreement.

SECTION 9.8. SCHEDULES. The Disclosure Schedule shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

SECTION 9.9. 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.

SECTION 9.10. 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 state or federal court sitting in New York. The parties hereto consent to personal jurisdiction in any such action brought in any state or federal court sitting in New York and to service of process upon it in the manner set forth in Section 9.4 hereof.

SECTION 9.11. BROKERAGE FEES AND COMMISSIONS. Except as set forth in Sections 4.18 and 5.6, the Company hereby represents and warrants to Parent with respect to the Company, and Parent hereby represents and warrants to the Company with respect to Parent and Purchaser, that no person or entity is entitled to receive from the Company or Parent and Purchaser, respectively, any investment banking, brokerage or finder's fee or fees for financial consulting or advisory services in connection with this Agreement and Plan of Merger or any of the transactions contemplated hereby.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Agreement and Plan of Merger to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

Loral Corporation

By: /s/ Michael B. Targoff

Name: Michael B. Targoff
Title: Senior Vice President

Lockheed Martin Corporation

By: /s/ Marcus C. Bennett

Name: Marcus C. Bennett
Title: Senior Vice President

LAC Acquisition Corporation

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

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

EXHIBITS

EXHIBIT A

Form of Tax Sharing Agreement, dated as of , 1996 by and among Loral Corporation, Loral Telecommunications Acquisition, Inc., Lockheed Martin Corporation and LAC Acquisition Corporation--Filed as Exhibit (C)(5) to the Tender Offer Statement on Schedule 14D-1 dated January 12, 1996.

CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, Purchaser shall not be required to accept for payment or pay for, and may delay the acceptance for payment of (whether or not the Shares have theretofore been accepted for payment), or the payment for, any Shares tendered, and may terminate or extend the Offer and not accept for payment any Shares, if:

(i) immediately prior to the expiration of the Offer (as extended in accordance with the terms of the Offer), (A) any applicable waiting period under the Antitrust Laws shall not have expired or been terminated or any approvals required under the EC Merger Regulations shall not have been received, (B) the Record Date for the distribution of shares of Spinco common stock to stockholders of the Company pursuant to the Distribution Agreement shall not have been set by the Company's Board of Directors, (C) the Public Indenture Merger Opinions shall not have been delivered to Purchaser and the applicable Public Indenture trustees, or (D) the number of Shares validly tendered and not withdrawn when added to the Shares then beneficially owned by Parent does not constitute two-thirds of the Shares then outstanding and represent two-thirds of the voting power of the Shares then outstanding on a fully diluted basis on the date of purchase; OR

(ii) on or after the date of this Agreement and prior to the acceptance for payment of Shares, any of the following conditions exist:

(a) any of the representations or warranties of the Company contained in the Merger Agreement shall not have been true and correct at the date when made or (except for those representations and warranties made as of a particular date which need only be true and correct as of such date) shall cease to be true and correct at any time prior to consummation of the Offer, except where the failure to be so true and correct would not, individually or in the aggregate, have a Material Adverse Effect; provided, that if any such failure to be so true and correct is curable by the Company through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (a) until 10 Business Days after written notice thereof has been given to the Company by Parent or Purchaser and unless at such time the matter has not been cured; or

(b) any of the representations or warranties of Spinco contained in the Distribution Agreement shall not have been true and correct at the date when made or (except for those representations and warranties made as of a particular date which need only be true and correct as of such date) shall cease to be true and correct at any time prior to consummation of the Offer, except where the failure to be so true and correct would not individually or in the aggregate, have a Material Adverse Effect; provided that, if any such failure to be so true and correct is curable by Spinco through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (b) until 10 Business Days after written notice thereof has been given to the Company by Parent or Purchaser and unless at such time the matter has not been cured; or

(c) the Company shall have breached any of its covenants or agreements contained in the Merger Agreement, except for any such breaches that, individually or in the aggregate, would not have a Material Adverse Effect; provided that, if any such breach is curable by the Company through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (c) until 10 Business Days after written notice thereof has been given to the Company by Parent or Purchaser and unless at such time the breach has not been cured; or

(d) Spinco or the Company shall have breached any of its covenants or agreements contained in the Distribution Agreement, except for any such breaches that, individually or in the aggregate, would not have a Material Adverse Effect; provided, that if any such breach is curable by Spinco or the Company through the exercise of its reasonable efforts, then Purchaser may not terminate the Offer under this subsection (d) until 10 Business Days after written notice thereof has been given to the Company or Spinco, as the case may be, by Parent or Purchaser and unless at such time the breach has not been cured; or

(e) there shall have been any statute, rule, regulation, judgment, order or injunction promulgated, enacted, entered, enforced or deemed applicable to the Offer, or any other legal action shall have been taken, by any state, federal or foreign government or governmental authority or by any U.S. court, other than the routine application to the Offer, the Merger or the Spin-Off of waiting periods under the HSR Act, that presents a substantial likelihood of (1) making the acceptance for payment of, or the payment for, some or all of the Shares illegal or otherwise prohibiting, restricting or significantly delaying consummation of the Offer, (2) imposing material limitations on the ability of Purchaser or Parent to acquire or hold or to exercise any rights of ownership of the Shares, or effectively to manage or control the Retained Business, the Company, the Retained Subsidiaries, Purchaser or any of their respective affiliates, which individually or in the aggregate could constitute a Significant Adverse Effect; or

(f) any fact or circumstance exists or shall have occurred that has a Material Adverse Effect; or

(g) there shall have occurred (1) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange, Inc., (2) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (3) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States and having a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, (4) any limitation or proposed limitation (whether or not mandatory) by any U.S. governmental authority or agency, or any other event, that materially adversely affects generally the extension of credit by banks or other financial institutions, (5) from the date of the Merger Agreement through the date of termination or expiration of the Offer, a decline of at least 25% in the Standard & Poor's 500 Index or (6) in the case of any of the situations described in clauses (1) through (5) inclusive, existing at the date of the commencement of the Offer, a material acceleration, escalation or worsening thereof; or

(h) any person (which includes a "person" as such term is defined in Section 13(d)(3) of the Exchange Act) other than Purchaser, any of its affiliates, or any group of which any of them is a member shall have acquired beneficial ownership of more than 20% of the outstanding Shares or shall have entered into a definitive agreement or an agreement in principle with the Company with respect to a tender offer or exchange offer for any Shares or merger, consolidation or other business combination with or involving the Company or any of its Subsidiaries; or

(i) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have withdrawn or modified (including by amendment of the Schedule 14D-9) in a manner adverse to Purchaser its approval or recommendation of the Offer, this Agreement, the Merger or the Spin-Off, shall have recommended to the Company's stockholders another offer, shall have authorized the redemption of the Rights (whether or not in accordance with Section 6.1(k) hereof) after the Company has received an Acquisition Proposal or shall have adopted any resolution to effect any of the foregoing which, in the sole judgment of Purchaser in any such case, and regardless of the circumstances (including any action or omission by Purchaser) giving rise to any such condition, makes it inadvisable to proceed with such acceptance for payment; or

(j) the Merger Agreement shall have been terminated in accordance with its terms; or

(k) the Record Date shall not have occurred; or

(l) the conditions to the Spin-Off shall not have been satisfied or waived; OR

(iii) Parent and Purchaser shall not have secured financing on terms reasonably acceptable to Parent to finance the purchase of all of the Shares at the Merger Price and to consummate the transactions contemplated by this Agreement and the Ancillary Agreements; provided, that the condition set forth in this clause (iii) shall be a condition to Purchaser's obligations with respect to the Offer only if (A) the Offer has not been consummated on or before April 30, 1996, (B) Parent has not taken any significant action outside of the ordinary course of business, which prevents Parent from obtaining sufficient financing to purchase all of the Shares at the Merger Price and to consummate the transactions contemplated by this Agreement and the Ancillary Agreements and (C) Parent and Purchaser are in substantial compliance with their respective material obligations under Sections 6.4, 6.5 and 6.6 of the Merger Agreement.

The foregoing conditions are for the sole benefit of Purchaser and may be asserted by Purchaser regardless of the circumstances giving rise to such conditions, or may be waived by Purchaser in whole or in part at any time and from time to time in its sole discretion; provided, that the condition set forth in clause (ii)(j) above may be waived or modified only by the mutual consent of Purchaser and the Company.

EXHIBIT C

Form of Employment Protection Agreement of the Company--Filed as Exhibit (C)(6) to the Tender Offer Statement on Schedule 14D-1 dated January 12, 1996.

EXHIBIT D

Employment Protection Plan of the Company--Filed as Exhibit (C)(7) to the Tender Offer Statement on Schedule 14D-1 dated January 12, 1996.

EXHIBIT E

Supplemental Severance Program of the Company--Filed as Exhibit (C)(8) to the Tender Offer Statement on Schedule 14D-1 dated on January 12, 1996.

Exhibit 99(c)(3)

Conformed Copy

RESTRUCTURING, FINANCING AND DISTRIBUTION AGREEMENT

dated as of January 7, 1996

by and among

LORAL CORPORATION,

LORAL AEROSPACE HOLDINGS, INC.,

LORAL AEROSPACE CORP.,

LORAL GENERAL PARTNER, INC.,

LORAL GLOBALSTAR, L.P.,

LORAL GLOBALSTAR LIMITED,

LORAL TELECOMMUNICATIONS ACQUISITION, INC.
(TO BE RENAMED "LORAL SPACE & COMMUNICATIONS CORPORATION")

and

LOCKHEED MARTIN CORPORATION

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RESTRUCTURING, FINANCING AND DISTRIBUTION AGREEMENT

RESTRUCTURING, FINANCING AND DISTRIBUTION AGREEMENT, dated as of January 7, 1996, by and among Loral Corporation, a New York corporation (the "Company"), Loral Aerospace Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Holdings"), Loral Aerospace Corp., a Delaware corporation and a wholly-owned subsidiary of Holdings ("Aerospace"), Loral General Partner, Inc., a Delaware corporation and a wholly-owned subsidiary of Aerospace ("LGP"), Loral Globalstar, L.P., a Delaware limited partnership and a wholly-owned, indirect subsidiary of LGP ("LG"), Loral Globalstar Limited, a Cayman Islands corporation and a wholly-owned subsidiary of LGP ("Cayman"), Loral Telecommunications Acquisition, Inc. (to be renamed "Loral Space & Communications Corporation"), a Delaware corporation and a wholly-owned subsidiary of the Company ("Spinco"), and Lockheed Martin Corporation, a Maryland corporation ("Parent").

RECITALS:

WHEREAS, each of the Boards of Directors of the Company, Holdings, Aerospace, LGP and Cayman, and the general partner of LG have determined to cause certain of the transfers and other transactions contemplated in connection with the Restructuring (as hereafter defined);

WHEREAS, the Board of Directors of the Company has also determined to cause the distribution of shares of Spinco Common Stock (as hereafter defined) to the holders as of the Record Date (as hereafter defined) of the Company Common Stock (as hereafter defined) and to the holders of certain Cancelled Company Options (as hereafter defined);

WHEREAS, the Company and Spinco and the other parties hereto have determined that it is desirable to set forth the principal corporate transactions required to effect such transfers, share issuances and distribution and to set forth certain other agreements that will govern certain other matters prior to or following such distribution;

WHEREAS, the Company has entered into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), with Parent and LAC Acquisition Corporation, a New York corporation and a wholly-owned subsidiary of Parent (the "Purchaser"), providing for the Offer and the Merger (each as hereafter defined), as a result of which the Company, as the corporation surviving the Merger, will become a wholly-owned subsidiary of Parent; and

WHEREAS, in order to induce the parties to enter into this Agreement and in consideration of the Company's willingness to enter into the Merger Agreement, the parties hereto and certain other parties are entering or will enter into the Tax Sharing Agreement and the Stockholders Agreement (such capitalized terms, as hereafter defined) providing for certain ongoing relationships among the parties;

NOW, THEREFORE, in consideration of the foregoing and the agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. General. For convenience and brevity, certain terms used in various parts of this Agreement (including the Schedules) 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):

"Action" means any action, claim, suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

"Adjusted GAAP" means, except as otherwise set forth in Section 1.1(a) of the Disclosure Schedule, U.S. generally accepted accounting principles as in effect on the date hereof, applied on a basis consistent with the Company Financial Statements.

"Aerospace" shall have the meaning set forth in the recitals to this Agreement.

"Affiliate" of any specified person or entity means (x) any director or officer of, or any person or entity that beneficially owns at least 50% of the capital stock or other equity interests of, such specified person or entity, or (y) any other person or entity directly or indirectly controlling, controlled by, or under common control with, such specified person or entity, at any time during the period for which the determination of affiliation is being made; provided that the Company and the Retained Subsidiaries, on the one hand, and Spinco and the Spinco Companies, on the other hand, shall not, after giving effect to the Restructuring, be deemed to be Affiliates of each other for purposes of this Agreement.

"Agent" means the distribution agent appointed by the Company (subject to the prior written consent of Parent, which may not be unreasonably withheld) to distribute shares of Spinco Common Stock pursuant to the Distribution.

"Agreement" means this Restructuring, Financing and Distribution Agreement, together with all exhibits and schedules hereto, as the same may be amended from time to time in accordance with the terms hereof.

"Asset" means, with respect to any party, except as otherwise provided herein, any and all of such party's right, title and interest in and to all of the rights, properties, assets, claims, contracts and businesses of every kind, character and description, whether real, personal or mixed, whether accrued, contingent or otherwise, and wherever located, owned or used primarily by such party and its subsidiaries, including, without limitation, the following: (i) all cash, cash equivalents, notes and accounts receivable (whether current or non-current); (ii) all certificates of deposit, banker's acceptances and other investment securities; (iii) all registered and unregistered trademarks, service marks, service names, trade styles and trade names (including, without limitation, trade dress and other names, marks and slogans) and all associated goodwill; all statutory, common law and registered copyrights; all patents; all applications for any of the foregoing together with all rights to use all of the foregoing and all other rights

in, to, and under the foregoing; all know-how, inventions, discoveries, improvements, processes, formulae (secret or otherwise), specifications, trade secrets, whether patentable or not, licenses and other similar agreements, confidential information, and all drawings, records, books or other indicia, however evidenced, of the foregoing; (iv) all rights existing under all Contracts and other business arrangements; (v) all real estate and all plants, buildings and other improvements thereon; (vi) all leasehold improvements and all machinery, equipment (including all transportation and office equipment), fixtures, trade fixtures and furniture; (vii) all office supplies, production supplies, spare parts, other miscellaneous supplies and other tangible property of any kind; (viii) all raw materials, work-in-process, finished goods, consigned goods and other inventories; (ix) all computer hardware, software, computer programs and systems and documentation relating thereto; all databases and reference and resource materials; (x) all prepayments or prepaid expenses; (xi) all claims, causes of action, choices in action, rights of recovery and rights of set-off of any kind; (xii) the right to receive mail, accounts receivable payments and other communications; (xiii) all customer lists and records pertaining to customers and accounts, personnel records, all lists and records pertaining to suppliers and agents, and all books, ledgers, files and business records of every kind; (xiv) all advertising materials and all other printed or written materials; (xv) all permits, licenses, approvals and authorizations of governmental authorities or third parties relating to the ownership, possession or operation of the Assets; (xvi) all capital stock, partnership interests and other equity or ownership interests or rights, directly or indirectly, in any subsidiary or other entity; (xvii) all goodwill as a going concern and all other intangible properties; and (xviii) all employee contracts, including, without limitation, the right thereunder to restrict the employee from competing in certain respects.

"Business Day" means any calendar day which is not a Saturday, Sunday or public holiday under the Laws of New York.

"Cancelled Company Option" means any option or other right to acquire shares of Company Common Stock which (i) has been granted by the Company to any employee

or director of the Company or any of its Subsidiaries, (ii) is outstanding immediately prior to, and remains unexercised as of, the Record Date, and (iii) will be cancelled pursuant to Section 2.10 of the Merger Agreement.

"Capital Contribution" shall mean any capital or other investment in the Spinco Business, Spinco or any Spinco Company (including, without limitation, (x) the acquisition of any equity or other interests in Spinco or any Spinco Company during such time period (except as otherwise expressly contemplated pursuant to the provisions of Article II hereof), (y) any contribution of cash, cash equivalents, marketable securities, receivables, inventory, prepaid expenses, real or personal property or any other assets to the Spinco Business, Spinco or any Spinco Company (except as otherwise expressly contemplated pursuant to the provisions of Article II hereof) and (z) the assumption of or payment by the Company or any Company Subsidiary of any Spinco Liabilities, and any prepayment, redemption, purchase or defeasance of Spinco Indebtedness (if any) or any other Spinco Liabilities) by the Company or any Company Subsidiary; provided that the term "Capital Contribution" shall not include (1) any amounts which are transferred following the date hereof and prior to the Offer Purchase Date and which are either (i) in connection with administrative and other similar services which are provided to any of the Spinco Companies in the ordinary course of the Company's business and which are consistent with the past practices of the Company (provided that the cost of any such services may only be allocated in a manner consistent with the past practices of the Company), or (ii) (A) pursuant to the express terms and conditions of any Existing Intercompany Agreement and (B) in the ordinary course of business and in a manner consistent with past practice, (2) the Spinco Guarantee Warrants, or (3) the DBS Investment (as defined in the definition of Spinco Liabilities).

"Casualty Program" means collectively, the series of programs pursuant to which various insurance carriers provide insurance coverage to the Company and its subsidiaries in respect of claims or occurrences relating to workers' compensation liability, general liability, products liability, automobile liability and

employer's liability for all periods up to the Distribution Date.

"Cayman" shall have the meaning set forth in the recitals to this Agreement.

"CCD Lawsuit" means the litigation entitled Loral Fairchild Corp. vs. Sony Corporation, et al.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth in the recitals to this Agreement.

"Company Common Stock" means the common stock of the Company, par value $0.25 per share.

"Company Financial Statements" means the audited consolidated financial statements of the Company and its subsidiaries for the fiscal year ending March 31, 1995 (a copy of which is set forth in the Company's Annual Report on Form 10K for the year ended March 31, 1995).

"Confidentiality Agreement" means the confidentiality agreement dated as of December 4, 1995 between Parent and the Company.

"Continental" means Continental Satellite Corporation, a California corporation.

"Contract" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any person or entity or any part of its property under applicable Law.

"Court Order" means any judgment, decree, injunction, order or ruling of any Governmental Entity that is binding on any person or its property under applicable Law.

"Disclosure Schedule" means the disclosure schedule dated as of the date hereof and attached hereto. References to a particular section of the Disclosure Schedule shall only refer or modify the specific Section of this Agreement to which such Schedule relates (i.e.,

Section 6.2(c) of the Disclosure Schedule shall refer to or modify only Section 6.2(c) of this Agreement), unless otherwise expressly set forth herein.

"Distribution" means the distribution of the shares of Spinco Common Stock owned by the Company to holders of Company Common Stock and to holders of Cancelled Company Options pursuant to the provisions of this Agreement (including, without limitation, the provisions of Section 3.2(b) hereof).

"Distribution Conditions" means each of the conditions set forth in clauses (i) through (ix) of Section 10.1(a) hereof.

"Distribution Date" means the date as of which the Distribution shall be effected as determined by the Board of Directors of the Company, subject to the terms and conditions of this Agreement (including, without limitation, the provisions of Section 3.2(a) hereof).

"Distribution Declaration Date" means the date on which the Board of Directors of the Company takes action to declare the Distribution and establish the Record Date.

"Existing Intercompany Agreement" means any written Intercompany Agreement or regular, established accounting practice, consistently applied, which is in existence prior to December 31, 1995.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FCC" means the U.S. Federal Communications Commission.

"Final Order" means any consent, approval or other action of the FCC (a) relating to any of the transactions contemplated pursuant to either this Agreement or the Merger Agreement and (b) (i) which has not been vacated, reversed, stayed, set aside, annulled or suspended, (ii) with respect to which no timely appeal, request for stay or petition for rehearing, reconsideration or review by any party or by the FCC on its own motion, is pending, (iii) as to which the time for filing any such appeal, request, petition or other similar

document has expired, and (iv) as to which the time for reconsideration or review by the FCC on its own motion under the Communications Act (as defined in the Merger Agreement) and the rules and regulations of the FCC has expired.

"Form 10" means the registration statement on Form 10 to be filed by Spinco with the SEC to effect the registration of the Spinco Common Stock pursuant to the Exchange Act.

"Globalstar" means Globalstar, L.P., a Delaware limited partnership.

"Globalstar Bank Guarantee" means the Guarantee, dated as of December 15, 1995, made by Loral in favor of Chemical Bank, as agent for the lenders from time to time parties to the Globalstar Credit Agreement.

"Globalstar Credit Agreement" means the Credit Agreement, dated as of December 15, 1995 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions of Section 2.5 hereof), among Globalstar, Chemical Bank, as agent for the lenders from time to time parties thereto and the other parties thereto.

"Globalstar Partners" means those Persons (or any Affiliates thereof) holding direct or indirect partnership interests in either Globalstar, LQSS or LQP.

"Guarantee Warrants" means those warrants to purchase shares of common stock of GTL (or warrants to purchase partnership interests in Globalstar, as the case may be), which warrants are to be issued in connection with the Globalstar Bank Guarantee to the Company and, under certain circumstances, to certain parties which hold partnership interests in Globalstar, as more fully described in the Globalstar Warrant Memorandum and the term sheet set forth on Exhibit A-1 attached hereto.

"Globalstar Warrant Memorandum" means the December 21, 1995 memorandum from Michael B. Targoff to Enrique Fernandez relating to, among other things, the Globalstar Bank Guarantee and the Globalstar Credit Agreement.

"Governmental Entity" means any United States or any foreign, federal, state or local government, court, administrative agency or commission or other governmental or regulatory body or authority.

"GTL" means Globalstar Telecommunications Limited, a company organized under the laws of Bermuda.

"Holdings" shall have the meaning set forth in the recitals to this Agreement.

"Indemnifiable Losses" means, with respect to any claim by an Indemnified Party for indemnification pursuant to Articles II, V, VI or VIII hereof, any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and the costs and expenses of attorneys', accountants', consultants' and other professionals' fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), including direct and consequential damages, but excluding punitive damages (other than punitive damages awarded to any third party against an Indemnified Party) suffered by such Indemnified Party with respect to such claim.

"Indemnified Party" means any party which is seeking indemnification from an Indemnifying Person pursuant to the provisions of Articles II, V, VI or VIII hereof.

"Indemnifying Party" means any party hereto from which any Indemnified Party is seeking indemnification pursuant to the provisions of Articles II, V, VI or VIII hereof.

"Information" shall have the same meaning as defined in Section 7.2 hereof.

"Information Statement" means the information statement to be sent to the holders of the Company's equity securities in connection with the Distribution.

"Intellectual Property Rights" means all right, title, interest and all license and other rights, to the extent held by the Company and its Subsidiaries immediately prior to the Restructuring, with respect to each of the following items: all patents, patent applications, copyrights, copyright applications, trademarks, trademark applications and trade names, in each case as used in the business of the Company and its Subsidiaries as conducted immediately prior to the Restructuring.

"Intercompany Agreements" means any Contracts between any entities included within the Retained Business (including, without limitation, the Company and the Retained Subsidiaries), on the one hand, and any entities included within the Spinco Business (including, without limitation, Spinco and the Spinco Companies), on the other hand.

"K&F" means K&F Industries, Inc., a Delaware corporation.

"LG" shall have the meaning set forth in the recitals to this Agreement.

"LGP" shall have the meaning set forth in the recitals to this Agreement.

"LQP" means Loral/QUALCOMM Partnership, L.P., a Delaware limited partnership.

"LQSS" means Loral/QUALCOMM Satellite Services, L.P., a Delaware limited partnership.

"Law" means any statute, law, rule, regulation, ordinance, order, decree or judgment of any Governmental Entity, including, without limitation, those covering environmental, energy, safety, health, transportation, telecommunications, recordkeeping, zoning, antidiscrimination, antitrust, wage and hour, and price and wage control matters.

"Lehman Partnerships" means each of Shearson 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.

"Lehman Preferred Stock" means the shares of Series S Redeemable Preferred Stock, par value $.10 per share, of Holdings which are held by any of the Lehman Partnerships, any of their respective transferees or any other persons.

"Liability" means, with respect to any party, except as otherwise expressly provided herein, any direct or indirect liability (whether absolute, accrued, contingent, reflected on a balance sheet (or in the notes thereto) or otherwise, and whether known or unknown), indebtedness, obligation, expense, claim, deficiency, guarantee or endorsement of or by any person (including, without limitation, those arising under any Law or Action or under any award of any court, tribunal or arbitrator of any kind, and those arising under any contract, commitment or undertaking).

"Lien" means any mortgage, pledge, lien, encumbrance, charge, adverse claim (whether pending or, to the knowledge of the person against whom the adverse claim is being asserted, threatened), defect of title or restriction of any nature whatsoever on any property or property interest (regardless of whether such property or property interest is real or personal, tangible or intangible, or otherwise), or a security interest of any kind, including, without limitation, any conditional sale or other title retention agreement, any third party option or other agreement to sell and any filing of or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction (other than a financing statement which is filed or given solely to protect the interest of a lessor).

"Merger" shall have the meaning set forth in the Merger Agreement.

"Merger Agreement" shall have the meaning set forth in the recitals to this Agreement.

"NYSE" means the New York Stock Exchange, Inc.

"Offer" shall have the meaning set forth in the Merger Agreement.

"Offer Purchase Date" means the date on which the Purchaser accepts for payment and pays for Shares tendered pursuant to the Offer.

"Parent" shall have the meaning set forth in the recitals to this Agreement.

"Parent Indemnified Parties" shall have the same meaning as defined in Section 5.2(a) hereof.

"Person" or "person" means and includes any individual, partnership, joint venture, corporation, association, joint stock company, trust, unincorporated organization or similar entity and any Governmental Entity.

"Purchaser" shall have the meaning set forth in the recitals to this Agreement.

"Record Date" means the date determined by the Board of Directors of the Company as the record date for the Distribution, subject to the terms and conditions of this Agreement (including, without limitation, the provisions of Section 3.2(a) hereof).

"Restructuring" means collectively, the transactions contemplated pursuant to the provisions of Article II hereof.

"Retained Action" shall have the same meaning as defined in Section 5.6 hereof.

"Retained Assets" means all Assets of the Company and each Retained Subsidiary (including, without limitation, (A) all shares of capital stock, partnership interests and other equity or ownership interests or ownership rights in all subsidiaries and other entities owned directly or indirectly by the Company or any of the Retained Subsidiaries, (B) all rights to Assets held by such subsidiaries and entities, (C) except as provided in Sections 4.1 and 4.2 hereof, all cash and cash equivalents held by the Company or any of the Retained Subsidiaries, (D) the Company Names and Company Proprietary Names (such terms, as defined in Section 6.4 hereof), (E) the Retained Actions and all other Actions commenced by the Company or any Retained Subsidiary (to the extent such Actions constitute Assets), and (F) the licenses of

Intellectual Property Rights referred to in Section 6.7 hereof to be granted to Parent, the Company and each of their respective Affiliates), other than the Spinco Assets.

"Retained Business" means all businesses of the Company and the Retained Subsidiaries and all businesses included within the Retained Assets (including, without limitation, the Company's electronic combat business, the Company's training and simulation business, the Company's tactical weapons business, the Company's command, control, communications and intelligence (C3I)/reconnaissance business and the Company's systems integration business (each as described in the Company's Annual Report on Form 10K for the year ended March 31, 1995)), as conducted by the Company and its subsidiaries as of the Distribution Date and all former businesses of the Company and the Retained Subsidiaries; provided that the term "Retained Business" shall not include the Spinco Business.

"Retained Employees" shall mean all current and former officers and employees of the Company and its subsidiaries, other than the Spinco Employees.

"Retained Liabilities" means all of the Liabilities of the Company and each of the Retained Subsidiaries, other than the Spinco Liabilities.

"Retained Subsidiaries" means all of the Subsidiaries of the Company, other than the Spinco Companies.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Severance Agreement" means any Contract which provides for the payment of any cash or other consideration to an officer, director or employee of the Company or any of its Subsidiaries upon the consummation of either the Offer, the Merger, the Restructuring or the Distribution.

"Spinco" shall have the meaning set forth in the recitals to this Agreement.

"Spinco Assets" means all right, title and interest, to the extent held by the Company and its Subsidiaries or any of the other Spinco Companies immediately prior to the Restructuring, with respect to each of the following items: (a) all shares of capital stock of and all partnership interests in (as the case may be) the Spinco Companies, (b) the Spinco Cash Amount, (c) the Spinco Names and Spinco Proprietary Name Rights (such terms, as defined in Section 6.4 hereof), (d) any Actions commenced by a Spinco Company the subject matter of which is otherwise a Spinco Asset or any Action which relates primarily to a Spinco Asset (to the extent such Actions constitute Assets), (e) shares of capital stock of Loral Travel Services Inc. and Loral Properties Inc., (f) that portion of the leasehold interest relating to the office space on not more than two floors reasonably designated by Spinco within 30 days after the date hereof with respect to the building located at 600 Third Avenue, New York, New York and such existing furniture, fixtures, and office equipment located on such floors which is reasonably designated by Spinco within thirty (30) days after the date hereof, (g) the licenses of Intellectual Property Rights referred to in Section 6.7 hereof to be granted to Spinco or the Spinco Companies, (h) the CCD Lawsuit, and (i) the FCC license applications and other Assets listed on Section 1.1(b) of the Disclosure Schedule. The term "Spinco Assets" shall also include (A) the Cash Guarantee Fees accruing to the benefit of the Company and (B) the number of Guarantee Warrants equal to the product of (x) the aggregate number of Guarantee Warrants which might be issued and (y) a ratio of the Spinco Assumed Guarantee Amount (as defined in Section 2.5(d) hereof) to the total amount of Obligations (as defined in Section 2.5 hereof) under the Globalstar Bank Guarantee in connection with the Globalstar Bank Guarantee, but shall not include any other Guarantee Warrants which may be issued from time to time to the Company.

"Spinco Balance Sheet" means the unaudited, pro forma, consolidated balance sheet (including the related notes) of the Spinco Business as of September 30, 1995 set forth in Section 1.1(d) of the Disclosure Schedule.

"Spinco Business" means each business and each former business which is or was conducted by Spinco or a Spinco Company as of the Distribution Date or which is or was included within the Spinco Assets.

"Spinco Cash Amount" means the cash amount referred to in Section 2.1(a)(xiv) hereof.

"Spinco Common Stock" means the common stock, par value $0.01 per share, of Spinco, together with the associated preferred stock purchase rights to be issued pursuant to a rights agreement to be entered into between Spinco and a rights agent to be selected by Spinco.

"Spinco Companies" means (a) each of SSL, GTL, K&F, Globalstar, LGP, LG, Cayman, LQSS, LQP, Continental and the companies referred to in paragraph (e) of the definition of "Spinco Assets", and (b) all Subsidiaries of any of the entities listed in paragraph (a) above after giving effect to the Restructuring.

"Spinco Employees" means (x) those persons who are employed as officers or employees of Spinco and the Spinco Companies or otherwise employed in the Spinco Business immediately prior to or effective as of the Distribution Date, and (y) all former officers and employees of Spinco, any Spinco Company or the Spinco Business who, immediately prior to the termination of their employment, were employed by Spinco, any Spinco Company or the Spinco Business. In the event any person shall have been employed by Spinco or any of the Spinco Companies, as well as by the Company or any of the Retained Subsidiaries, such person shall be considered a Spinco Employee if at the Distribution Date such person's primary employment shall be with Spinco, any of the Spinco Companies or the Spinco Business.

"Spinco Indebtedness" means (a) any and all of the following items which are incurred or entered into by Spinco or any Spinco Company or otherwise incurred or entered into in connection with the Spinco Business: (i) indebtedness for money borrowed, (ii) indebtedness which is evidenced by notes, debentures, bonds or other similar instruments; (iii) any lease of any property (whether real, personal or mixed) that, in accordance with generally accepted accounting principles, either would be required to be classified and accounted for as a capital

lease on a balance sheet or otherwise be disclosed as such in a note to any such balance sheet; (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement; and (v) all obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (b) all obligations of the type referred to in clauses (i), (ii), (iii), (iv) and (v) of paragraph (a) above of which Spinco, any Spinco Company or the Spinco Business is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including any guarantees of such obligations; and (c) all obligations of the type referred to in clauses (i), (ii), (iii), (iv) and (v) of paragraph (a) above or referred to in paragraph (b) above, which are secured by any Lien on any property or asset of Spinco, any Spinco Company, any Affiliate of Spinco or the Spinco Business.

"Spinco Indemnified Parties" shall have the same meaning as defined in Section 5.3(a) hereof.

"Spinco Liabilities" means (a) all of the Liabilities of Spinco and the Spinco Companies to third parties and all Liabilities relating to or arising out of the Spinco Assets or the conduct of the Spinco Business (in all cases, whether arising before or after the date hereof); (b) all Liabilities reflected or reserved against in the Spinco Balance Sheet and all similar Liabilities arising after the date thereof; (c) any Actions commenced by a Spinco Company the subject matter of which is otherwise a Spinco Asset or any Action which relates primarily to a Spinco Asset (to the extent such Actions constitute Liabilities); (d) except as otherwise provided in Article VIII hereof, the Liabilities of the Company and its subsidiaries, including, without limitation, Spinco and the Spinco Companies, in respect of Spinco Employees (in all cases, whether arising before or after the date hereof) (excluding, however, all wages, salary, bonus and other similar amounts accrued prior to the Distribution Date in respect of Spinco New York Employees); (e) all Liabilities relating to or arising out of the Spinco Assets or the conduct of the Spinco Business (in all cases, whether arising before or after the date hereof) with respect to which the Company or any Retained Subsidiary has agreed, prior to the Distribution Date, to indemnify any third party in any manner with re-

spect thereto or has agreed to otherwise be, or is otherwise, liable with respect thereto; (f) all Company Transfer Expenses (as defined in Section 2.6 hereof) and all other Indemnifiable Losses referred to in Section 2.6 hereof; (g) all Spinco Excess Costs (as defined in Section 11.3 hereof); and (h) the amount of any and all consideration paid, and any and all Liabilities incurred, by the Company, Spinco, any Spinco Company or any Retained Subsidiary or any of their respective Affiliates, following the date hereof but prior to the consummation of the Restructuring, in connection with the acquisition of any securities issued by Continental (whether held by any third party or otherwise) or any Assets of Continental, but only to the extent that the aggregate fair market value of such consideration and Liabilities exceeds in the aggregate $7,500,000.00 (for purposes of this clause (h), the term "Continental" shall include any other Person, program or business which conducts direct broadcast satellite operations similar in nature to those operations conducted or proposed to be conducted by Continental) (the parties hereto acknowledge and agree that, if the Company acquires any such securities or Assets, that all amounts paid or Liabilities incurred in connection therewith not in excess of such $7,500,000.00 threshold (the "DBS Investment"), shall not otherwise be included within the term "Spinco Liabilities"). Notwithstanding the foregoing, the term "Spinco Liabilities" shall not include any Liabilities of the Company arising pursuant to the express provisions of the Globalstar Bank Guarantee (as amended pursuant to the provisions of Section 2.5 hereof), except as otherwise expressly provided in Section 2.5 hereof.

"Spinco New York Employees" means those Spinco Employees who are located prior to the date hereof at the office building located at 600 Third Avenue, New York, New York; provided that the term "Spinco New York Employees" shall not include any employees whose primary employment is with the Spinco Business and shall not include senior executive officers of the Company.

"Spinco Preferred Stock" means the Series A Non-Voting Convertible Preferred Stock, par value $0.01 per share, of Spinco, having the rights, powers, privileges and other terms set forth in the Certificate of Incorporation of Spinco (which, pursuant to Section 2.3(a) hereof, shall be in substantially the same form as

the provisions set forth on Exhibit B attached hereto (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date)).

"SSL" means Space Systems/Loral, Inc., a Delaware corporation.

"SSL Lawsuit" means the litigation entitled "Space Systems/Loral, Inc. v. Martin Marietta Corporation."

"SSL Stockholders Agreements" means each of (a) the Stockholders Agreement by and among the Company, Holdings, SSL, Aerospatiale Societe Nationale Industrielle, Alcatel Espace and Alenia Aeritalia & Selenia S.p.A., dated as of April 22, 1991 (as amended by Amendment No. 1, dated as of November 10 1992), and (b) the Stockholders Agreement by and among Holdings, Aerospace, the Company and the Lehman Partnerships, dated as of November 13, 1992.

"Stockholders Agreement" means the Stockholders Agreement to be entered into between the Company and Spinco following the date hereof, the material terms of which are set forth on Exhibit A to this Agreement.

"Subsidiary" or "subsidiary" of any party means (a) a corporation, a majority of the voting or capital stock of which is as of the time in question directly or indirectly owned by such party and (b) any other partnership, joint venture, association, joint stock company, trust, unincorporated organization or similar entity, in which such party, directly or indirectly, owns a majority of the equity interest thereof or has the power to elect or direct the election of a majority of the members of the governing body of such entity or otherwise has control over such entity (e.g., as the managing partner of a partnership).

"Tax Sharing Agreement" means the Tax Sharing Agreement, in the form of Exhibit A to the Merger Agreement, pursuant to which the Company and Spinco have provided for certain tax matters, including, without limitation, indemnification, allocation of tax benefits and filing of tax returns.

Section 1.2. References to Time. All references in this Agreement to times of the day shall be to New York City time.

ARTICLE II

THE RESTRUCTURING AND RELATED TRANSACTIONS

Section 2.1. Transfers of Assets.

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

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

(ii) immediately following the actions referred to in the immediately preceding clause, Cayman shall transfer to LGP all of its right, title and interest in and to all shares of capital stock of GTL owned by Cayman and may transfer all, or a portion of, the partnership interests in LG owned by Cayman, by means of a dividend to LGP of such equity securities;

(iii) immediately following the actions referred to in the immediately preceding clause, LGP shall transfer to Aerospace all of its right, title and interest in and to all shares of capital stock of Cayman and GTL owned by LGP and may transfer all, or a portion of, the partnership interests in LG owned by LGP, by means of a dividend to Aerospace of such equity securities;

(iv) immediately following the actions referred to in the immediately preceding clause, Aerospace shall transfer to Holdings all of its right, title and interest in and to all shares of capital stock owned by Aerospace in Cayman, GTL, LGP and SSL and all partnership interests in LG owned by it, by means of a dividend to Holdings of such equity securities;

(v) immediately following the actions referred to in the immediately preceding clause, Holdings shall transfer to the Company all of its right, title and interest in and to (x) all shares of capital stock owned by Holdings in Cayman, GTL, LGP and Continental, (y) 64.125 percent (64.125%) of the shares of capital stock owned by Holdings in SSL, and (z) all partnership interests in LG owned by Holdings, by means of a dividend of such equity securities;

(vi) immediately following the actions referred to in the immediately preceding clause, LGP may transfer to Spinco or to any Spinco Subsidiary designated by Spinco, all (or any other portion thereof reasonably designated by Spinco) of LGP's right, title and interest in the partnership interests in LG and LQP;

(vii) immediately following the actions referred to in the preceding clauses, the Company shall transfer to Spinco all of its right, title and interest in and to all shares of capital stock owned by the Company in Cayman, GTL, K&F, LGP, SSL and Continental and all partnership interests in LG owned by the Company, in exchange for, among other things, the issuance by Spinco to the Company of the shares of Spinco Common Stock;

(viii) immediately following the actions referred to in the immediately preceding clause, the Company shall transfer to Spinco (and the Company shall cause each of its subsidiaries to transfer to Spinco) all of their right, title and interest in and to all Spinco Assets not otherwise transferred to Spinco pursuant to the provisions of this Section 2.1(a), in the case of assets not held directly by the Company, by a distribution to the Company and, in each case by means of a contribution by the Company to the capital of Spinco of such Spinco Assets (provided that the foregoing provisions shall not be construed to constitute a transfer by the Company to Spinco of any capital stock of Spinco owned at that time by the Company);

(ix) immediately following the actions referred to in the immediately preceding

clause, Spinco shall transfer to the Company (and Spinco shall cause each of its Subsidiaries to transfer to the Company) all of its right, title and interest in and to all Retained Assets not otherwise transferred to the Company pursuant to the provisions of this Section 2.1(a) (if any), in each case by means of a dividend of such Retained Assets (provided that the foregoing provisions shall not be construed to constitute a transfer by the Spinco to Company of the rights of Spinco under this Agreement);

(x) immediately following the actions referred to in the immediately preceding clause, the Company shall assume and shall in due course pay, perform and discharge (or shall cause to be assumed and cause in due course to be paid, performed and discharged), all of the Retained Liabilities to which the Spinco Business or the Spinco Assets are then subject or otherwise liable;

(xi) immediately following the actions referred to in the immediately preceding clause, Spinco shall assume and shall in due course pay, perform and discharge (or shall cause to be assumed and cause in due course to be paid, performed and discharged), all of the Spinco Liabilities to which the Retained Business or the Retained Assets are then subject or otherwise liable;

(xii) following, or prior to, the actions referred to in the preceding clauses, Holdings shall transfer all its right, title and interest in its shares of capital stock of SSL owned by it that are not transferred pursuant to clause (v), above, either to Spinco or, pursuant to Section 2.7, to the Lehman Partnerships;

(xiii) in connection with the actions referred to in the preceding clauses, Spinco shall issue to the Company the shares of Spinco Common Stock referred to in Section 2.4 hereof; and

(xiv) following the actions referred to in the preceding clauses and following Parent's acceptance for payment of Shares of Company Common Stock in connection with the Offer, on or prior to

the Distribution Date and prior to the Distribution, Parent shall transfer to the Company, as a contribution to capital, $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 the Company shall then immediately contribute the Spinco Cash Amount to Spinco, as a contribution to capital, of which $344,000,000.00 shall be in exchange for the Spinco Preferred Stock and the balance shall be treated as additional consideration for the Spinco Common Stock.

(b) Notwithstanding anything else in this Agreement to the contrary but subject to the provisions of Section 2.6 hereof, this Agreement shall not constitute an agreement to assign, convey or transfer any Action, Liability, Asset or Contract or any claim or right or any benefit arising thereunder or resulting therefrom as to which (x) a prior right of assignment, conveyance or transfer exists (including, without limitation, a Third Party Call Right (as defined in Section 2.6 hereof)) which has not been waived as of the Distribution Date or (y) consent to assignment, conveyance or transfer thereof is required but has not been obtained as of the Distribution Date (including, without limitation, any Asset which has been pledged to any third party creditor and with respect to which such pledge has not been released prior to the Distribution Date). Subject to the preceding sentence and the provisions of Section 6.2 hereof, to the extent that any such contributions and transfers shall not have been so consummated prior to the Distribution Date, the parties shall cooperate to effect such consummation as promptly thereafter as shall be practicable, and as between the Company and Spinco, as of the Distribution Date, (i) the Company shall be deemed to have contributed to Spinco, and Spinco shall have and be deemed to have obtained, complete and sole beneficial ownership over all of the Spinco Assets, together with all of the rights, powers and privileges incident thereto which are held by the Company and the Retained Subsidiaries, and Spinco shall be deemed to have assumed in accordance with the terms of this Agreement all of the Spinco Liabilities and all of the duties, obligations and

responsibilities of the Company and the Retained Subsidiaries incident thereto, whether or not all instruments of transfer and assumption shall have been executed and delivered, and (ii) Spinco shall be deemed to have transferred to the Company and the Retained Subsidiaries, and the Company and the Retained Subsidiaries shall have and be deemed to have obtained, complete and sole beneficial ownership over all of the Retained Assets which are being transferred from Spinco and the Spinco Companies pursuant to the provisions of this Section 2.1(a), together with all of the rights, powers and privileges incident thereto which are held by Spinco and the Spinco Companies, and the Company and the Retained Subsidiaries shall be deemed to have assumed in accordance with the terms of this Agreement all of the Retained Liabilities and all of the duties, obligations and responsibilities of Spinco and the Spinco Companies incident thereto, whether or not all instruments of transfer and assumption shall have been executed and delivered.

Section 2.2. Methods of Transfer and Assumption. The parties hereto agree that (a) the transfers of Assets contemplated pursuant to Section 2.1 hereof shall be effected by delivery by Spinco to the Company, and by the Company to Spinco, as the case may be, of (i) with respect to those Assets which are evidenced by capital stock certificates or similar instruments, certificates duly endorsed in blank or accompanied by stock powers or other instruments of assignment executed in blank, (ii) with respect to any real property interest and/or any improvements thereon, a quitclaim deed or the equivalent thereof in accordance with local practice, and (iii) with respect to all other Assets, such good and sufficient instruments of contribution, transfer and delivery, in form and substance reasonably satisfactory to the Company, Parent and Spinco, as shall be necessary to vest in the Company or Spinco, as the case may be, all of the right, title and interest of Spinco or the Company, as the case may be, in and to any such Assets, (b) the assumption of the Retained Liabilities contemplated pursuant to Section 2.1(a)(x) hereof shall be effected by delivery by the Company to Spinco of such good and sufficient instruments of assumption, in form and substance reasonably satisfactory to the Company, Parent and Spinco, as shall be necessary for the assumption by the Company of the Retained Liabilities, and (c) the assumption of the Spinco Liabilities contemplated pursuant to Section 2.1(a)(xi)

hereof shall be effected by delivery by Spinco to the Company of such good and sufficient instruments of assumption, in form and substance reasonably satisfactory to the Company, Parent and Spinco, as shall be necessary for the assumption by Spinco of the Spinco Liabilities. Each of the parties hereto also agrees to deliver to any other party hereto such other documents, instruments and writings as may be reasonably requested by such other parties hereto in connection with the transactions contemplated hereby. Notwithstanding any other provisions of this Agreement to the contrary, (x) the instruments of transfer or assumption referred to in this Section 2.2 shall not, without the prior written consent of Parent, include any separate representations and warranties, and (y) in the event and to the extent that there is any conflict between the provisions of this Agreement and the provisions of any of the instruments of transfer or assumption referred to in this Section 2.2, the provisions of this Agreement shall prevail and govern.

Section 2.3. Company Approval of Certain Spinco Actions; Formation of Spinco. Unless otherwise provided in this Agreement, the Company shall cooperate with Spinco and the Spinco Companies in effecting, and if so requested by Spinco the Company shall, as the sole stockholder of Spinco, ratify any actions that are reasonably necessary or desirable to be taken by Spinco to effectuate the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including, without limitation, the following: (a) amending the Certificate of Incorporation of Spinco so that the provisions thereof shall at the Distribution Date have the provisions set forth on Exhibit B attached hereto and such other terms and conditions as Parent and Spinco shall reasonably approve (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date); (b) amending the By-Laws of Spinco so that the provisions thereof shall at the Distribution Date have the provisions set forth on Exhibit C attached hereto and such other terms and conditions as Parent and Spinco shall reasonably approve (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date); (c) adopting a shareholder rights plan of Spinco having substantially the same provisions, as of the Distribution Date, as those set forth on Exhibit D attached hereto (with such changes thereto as the Board of Directors of the Company may approve in its

reasonable discretion prior to the Offer Purchase Date); (d) adopting, preparing and implementing appropriate plans, agreements and arrangements for Spinco Employees and Spinco non-employee directors (including, without limitation, employee benefit plans, agreements and arrangements substantially similar to those set forth on Exhibit E attached hereto (with such changes thereto as the Board of Directors of the Company may approve in its reasonable discretion prior to the Offer Purchase Date)); and (e) electing to the Board of Directors of Spinco those persons referred to in Section 6.3 hereof so that such persons shall be able to serve as the sole members of Spinco's Board of Directors as of the Distribution Date.

Section 2.4. Issuance of Spinco Stock to the Company. Spinco agrees to issue to the Company, (a) contemporaneously with the transfers of Assets and assumption of Liabilities contemplated in connection with the Restructuring, one share of Spinco Common Stock for each share of Company Common Stock held of record as of the Record Date and such number of shares of Spinco Preferred Stock as may be necessary to satisfy the representations and warranties set forth in Section 4.1(c) of the Stockholders Agreement (which shares of Spinco Preferred Stock shall, in the aggregate, be convertible into such number of shares of Spinco Common Stock as shall equal 20% of the total number of shares of Spinco Common Stock to be outstanding on a fully-diluted basis, immediately after giving effect to the Distribution and after giving effect to the conversion of such Spinco Preferred Stock). In addition, Spinco agrees to issue to the Company on or prior to the Record Date such additional shares of Spinco Common Stock as may be required in order for the Company to fulfill its obligations pursuant to Section 3.2 hereof.

Section 2.5. Treatment of Globalstar Bank Guarantee.

(a) Spinco shall, and prior to the Offer Purchase Date the Company shall, use their respective reasonable efforts to amend the Globalstar Bank Guarantee so that, following the Restructuring, (x) the provisions of Section 10 of the Globalstar Bank Guarantee shall be deleted and shall have no force and effect against the Company or any of its Affiliates (provided that, in the

event that the Globalstar Bank Guarantee is amended in the manner provided in this Section 2.5, Parent agrees to assume the obligations of the Company as guarantor under the Globalstar Bank Guarantee), and (y) the aggregate amount of indebtedness being guaranteed by the Company (or Parent, as the case may be) under the Globalstar Bank Guarantee shall not exceed $250,000,000; provided that the amendments contemplated in this sentence shall be in such form and substance as shall be reasonably acceptable to Parent. Notwithstanding anything to the contrary contained in this Agreement, except as otherwise expressly provided in this Section 2.5, neither the Company nor Spinco shall, nor shall they permit any of their respective Affiliates to, (i) amend or in any way modify either the Globalstar Bank Guarantee, the Globalstar Credit Agreement, the Guarantee Warrants or any other Contract, in a manner which adversely affects any of the benefits, rights or obligations of the Company with respect to either the Globalstar Bank Guarantee, the Globalstar Credit Agreement or the Guarantee Warrants, without obtaining the prior written consent of Parent (which consent may not be unreasonably withheld), or (ii) waive or diminish any rights of subrogation of the Company with respect to the Globalstar Bank Guarantee or take any other action which adversely affects any of the benefits, rights or obligations of the Company with respect to either the Globalstar Bank Guarantee, the Globalstar Credit Agreement or the Guarantee Warrants, without obtaining the prior written consent of Parent (provided that the consent of Parent need not be obtained with respect to the diminution of any rights of subrogation held by the Company and its Affiliates where (A) Globalstar determines within 90 days to either issue to the Company subordinated indebtedness of Globalstar having an aggregate principal amount (the repayment of which, together with interest thereon, may be deferred for up to 3 years) equal to, or equity interests in Globalstar having a fair market value equal to, the aggregate of the amounts paid or incurred or Liabilities assumed by the Company or its Affiliates in connection with the Globalstar Bank Guarantee, and (B) the Company and its Affiliates are treated no less favorably with respect to the matters set forth in this clause (ii) than the manner in which Spinco and those of the Globalstar Partners who have assumed liability in connection with the Globalstar Bank Guarantee are treated with respect to such matters.

(b) Spinco shall, and prior to the Offer Purchase Date the Company shall, use its respective reasonable efforts to cause the Globalstar Partners to assume the obligations of the Company (or Parent, as the case may be) as guarantor under the Globalstar Bank Guarantee in an aggregate amount of up to the Maximum Partner Assumed Guarantee Amount (as defined below), and to cause the Company (or Parent, as the case may be) to be released in respect thereof. The parties hereto acknowledge that the Guarantee Warrants will be initially issued to the Company, Spinco and the Globalstar Partners in direct proportion to the amount of liability in respect of the Globalstar Bank Guarantee for which each such person has agreed to be liable, that is, 60% to the Company and 40% to Spinco, and that 100% of the deferred cash fees payable in respect of the Globalstar Bank Guarantee (the "Cash Guarantee Fee") will be initially payable solely to Spinco, subject to reallocation to Globalstar Partners assuming such obligations as provided in Section 2.6(d).

(c) Spinco agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party which both (i) arise out of, relate to or result from the Globalstar Bank Guarantee or any failure by Globalstar to pay when due any principal, interest or other amounts owing under the Globalstar Credit Agreement or any failure by Globalstar to perform and abide by all other obligations, covenants, conditions and agreements applicable to it under such Globalstar Credit Agreement, and (ii) exceed in the aggregate $150,000,000.00; provided that in no event shall Spinco's liability in connection with the Globalstar Bank Guarantee exceed the Spinco Assumed Guarantee Amount (as defined below). Spinco hereby pledges to the Company, and grants the Company a security interest in, all Guarantee Warrants held at any time by Spinco or its Subsidiaries (and all rights, benefits and proceeds in respect thereof), as collateral in respect of Spinco's indemnity obligations set forth in the immediately preceding sentence, and the Company shall be entitled to exercise all of the rights, powers and remedies (whether arising pursuant to this Agreement, statute, common law, equity or otherwise) for the protection and enforcement of the Company's

rights under this Section 2.5. Spinco hereby agrees to deliver to the Company all certificates representing Guarantee Warrants promptly following receipt thereof. Upon receipt from Spinco of any certificates representing Guarantee Warrants, the Company shall hold such certificates as pledgee thereof. The Company shall have all rights with respect to the Guarantee Warrants owned by Spinco and pledged to the Company hereunder as afforded a secured party under the Uniform Commercial Code. The Company agrees to transfer to Spinco or as Spinco shall direct and release its security interest in any Guarantee Warrants of Spinco held by the Company which are required to be transferred pursuant to Section 2.5(d) hereof. The Company shall also release the Guarantee Warrants from the lien of the security interest granted hereunder at the later of (i) the release of the Company from the Globalstar Bank Guarantee and (ii) the satisfaction in full of Spinco's in full of Spinco's indemnification obligations hereunder with respect to Globalstar Bank Guarantee. Upon delivery to the Company by Spinco of the pledged Guarantee Warrants, the Company shall confirm to Spinco in writing that the Company will be holding such Guarantee Warrants as pledge thereof.

(d) For purposes of this Section 2.5, (i) the term "Maximum Partner Assumed Guarantee Amount" shall mean the sum of (A) $150,000,000.00 in principal amount of indebtedness, plus (B) sixty percent (60%) of the aggregate of all interest amounts thereon in accordance with the Globalstar Credit Agreement (other than unpaid principal) which are owed under the Globalstar Credit Agreement, (ii) the term "Actual Partner Assumed Guarantee Amount" shall mean the aggregate amount of guarantee obligations with respect to which all Globalstar Partners have actually guaranteed pursuant to the provisions of this Section 2.5, and (iii) the term "Spinco Assumed Guarantee Amount" shall mean the sum of (A) $100,000,000.00 in principal amount of indebtedness, plus (B) forty percent (40%) of the aggregate of all interest amounts and other Obligations (such term, as defined in the Globalstar Bank Guarantee)(other than unpaid principal) which are owed under the Globalstar Credit Agreement; provided that the Spinco Assumed Guarantee Amount shall be reduced on a dollar-for-dollar basis by the amount of the Actual Partner Assumed Guarantee Amount (if any) (provided that the Spinco Assumed Guarantee Amount shall in no event be less than zero), provided further

that (x) Spinco will convey to each Globalstar Partner which assumes a portion of the Globalstar Bank Guarantee Obligation a pro rata share of the Cash Guarantee Fees and, with respect to the first $100,000,000 of obligations so assumed, a pro rata share of the Guarantee Warrants and (y) the Company will convey to each such Globalstar Partner, with respect to the next $50,000,000 of obligations so assumed, a pro rata share of the Guarantee Warrants.

Section 2.6. Transfers of Spinco Capital Stock Subject to Rights of First Offer, Etc.

(a) Third Party Call Rights. In the event that any Spinco Assets consist of shares of capital stock of a Spinco Company, which shares are subject to any right of first offer, right of first refusal, call right, third party option or other similar contractual right (including, without limitation, any rights of first offer (if any) arising out of the SSL Stockholders Agreements) on the part of any party (other than the Company, any Retained Subsidiary, Spinco and any Spinco Company) (such third party, a "Third Party Transferee") to require that such shares be sold or otherwise transferred to such Third Party Transferee (any such right, a "Third Party Call Right", and any such shares subject to such right, the "Restricted Spinco Shares"), then Spinco shall (x) deliver or cause to be delivered all notice(s) which are required to be delivered by the Company, Spinco, any Retained Subsidiary or any Spinco Company in connection with any such Third Party Call Rights (unless delivery of such notice(s) has been waived by the recipient(s) thereof), and (y) use its reasonable efforts to cause each such Third Party Transferee to waive all Third Party Call Rights held by such Third Party Transferee. In the event that Spinco is unable to obtain any such waiver with respect to any Restricted Spinco Shares prior to the Distribution Date, then such Restricted Spinco Shares shall not be assigned, conveyed or transferred to Spinco pursuant to this Agreement unless and until such Restricted Spinco Shares are no longer subject to acquisition by any Third Party Transferee pursuant to any Third Party Call Rights (provided that, prior to such assignment, conveyance or transfer to either the Third Party Transferee pursuant to this Section 2.6 or to Spinco pursuant to this Agreement, such Restricted Spinco Shares shall, to the extent applicable, be subject to the provi-

sions of Section 2.1(b) hereof). In the event that a Third Party Transferee exercises any Third Party Call Right with respect to any Restricted Spinco Shares, then (i) such Restricted Spinco Shares shall be transferred to such Third Party Transferee in accordance with the terms and conditions of the Third Party Call Right relating thereto, and (ii) the Company shall turn over promptly to Spinco all cash and other amounts if and when received by the Company or any Retained Subsidiary from such Third Party Transferee in connection therewith. The parties hereto acknowledge and agree that the amounts referred to in clause (ii) of the preceding sentence shall be received and held in trust and may not be set off or reduced by any amounts which may otherwise be owed to any of the Parent Indemnified Parties pursuant to this Agreement.

(b) Third Party Put Rights. In the event that any party (other than the Company, any Retained Subsidiary, Spinco and any Spinco Company) (such third party, a "Third Party Transferor") has any put right or other similar contractual right (including, without limitation, any put rights (if any) arising out of the SSL Stockholders Agreements) to require that the Company or any Retained Subsidiary acquire any shares of capital stock of a Spinco Company which are then beneficially owned or held by such Third Party Transferor (any such right, a "Third Party Put Right", and any such shares subject to such right, the "Spinco Put Shares"), then Spinco shall (x) deliver or cause to be delivered all notice(s) which are required to be delivered by the Company, Spinco, any Retained Subsidiary or any Spinco Company in connection with any such Third Party Put Rights (unless delivery of such notice(s) has been waived by the recipient(s) thereof), and (y) use its reasonable efforts to cause such Third Party Transferor to waive all Third Party Put Rights held by such Third Party Transferor. In the event that Spinco is unable to obtain any such waiver with respect to any Restricted Spinco Shares and any such Third Party Transferor exercises any Third Party Put Right with respect to any Spinco Put Shares, then (i) Spinco shall pay to the Company in immediately available funds (and without any deductions or setoffs) prior to the date of such acquisition (but in no event later than the third Business Day prior to the anticipated date of such acquisition) the sum of (x) the entire amount which is required to be paid to such Third Party

Transferor in connection with such Third Party Put Right, and (y) all Company Transfer Expenses (as defined below) for which documentation evidencing such Company Transfer Expenses has been provided to Spinco prior to such date (except, in the case of either clause (x) or (y) above, for those amounts which have already been paid in full by Spinco), (ii) the Company or the Retained Subsidiary which is responsible for acquiring such Spinco Put Shares upon the exercise of such Third Party Put Right shall acquire such Spinco Put Shares in accordance with the terms and conditions of the Third Party Put Right relating thereto, and (iii) following receipt of the amounts payable by Spinco to the Company pursuant to clause (i) above and following receipt of the certificates representing any Spinco Put Shares acquired pursuant to clause (ii) above, the Company (or any Retained Subsidiary which received such certificates) shall thereafter deliver promptly to Spinco (or any Spinco Company designated by Spinco) such certificates, accompanied by such endorsements or instruments of transfer as may be reasonably requested by Spinco.

(c) Payment of Expenses; Indemnification. Spinco agrees that it shall reimburse the Company and all Parent Indemnified Parties promptly with respect to all costs and expenses incurred by the Company and all other Parent Indemnified Parties (including, without limitation, all costs and expenses of attorneys', accountants', consultants' and other similar persons) in connection with any Actions relating to (x) the exercise or purported exercise of any Third Party Call Right or any Third Party Put Right or (y) the consummation of any transactions contemplated pursuant to the provisions of this Section 2.6 (all such costs and expenses, the "Company Transfer Expenses"). Spinco agrees that all Indemnifiable Losses (including, without limitation, all Company Transfer Expenses) of the Company and all Parent Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, the performance or failure to perform by any party hereto of the provisions of this Section 2.6 or any of the transfers in any way relating thereto (other than as a result of any willful breach, on or after the Offer Purchase Date, on the part of the Company or any Retained Subsidiary) shall in each case be deemed to be Spinco Liabilities, and, in each case, shall be subject to the indemnification provisions set forth in Article V hereof.

Section 2.7. Exchange of Lehman Preferred Stock. Spinco shall, and prior to the Offer Purchase Date the Company shall, use their respective best efforts to cause the Lehman Partnerships and all other holders of the Lehman Preferred Stock (if any) to exchange all issued and outstanding shares of Lehman Preferred Stock for shares of capital stock or other equity securities of either Spinco, any Spinco Company or any Subsidiary of Spinco. Spinco agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party arising out of, relating to or resulting from the ownership of any shares of Lehman Preferred Stock by the Lehman Partnerships and all other holders of the Lehman Preferred Stock (if any).

ARTICLE III

THE DISTRIBUTION

Section 3.1. Cooperation Prior to the Distribution. As promptly as practicable after the date hereof and prior to the Distribution Date:

(a) Subject to the provisions of paragraph (b) below, the Company and Spinco shall prepare an Information Statement (which shall set forth appropriate disclosure concerning Spinco and the Spinco Companies, the Spinco Business, the Distribution and certain other matters) and Spinco shall file with the SEC the Form 10 (which shall include or incorporate by reference the Information Statement). The Company and Spinco shall use their respective reasonable efforts to cause the Form 10 to be declared effective under the Exchange Act or, if either the Company or Parent reasonably determines that the Distribution may not be effected without registering the Spinco Common Stock pursuant to the Securities Act, the Company shall use its best efforts to cause the Spinco Common Stock to be registered pursuant to the Securities Act and thereafter effect the Distribution in accordance with the terms of this Agreement, including, without limitation, by preparing and filing on an appropriate form of registration statement under the Securities Act covering the Spinco Common Stock and using its

best efforts to cause such registration statement to be declared effective. Following the effectiveness of such Form 10 (or registration statement, as the case may be), the Company shall mail the Information Statement to the holders of the Company Common Stock.

(b) Before filing with the SEC the Form 10, or the registration statement referred to in Section 3.1(a), as the case may be, or any amendments or supplements thereto, the Company shall furnish to Parent (or Parent's counsel) copies of all such documents proposed to be filed, in order to give Parent (or Parent's counsel) sufficient time to review such documents, and such documents may thereafter be filed subject to any timely and reasonable comments of Parent (or Parent's counsel). On or prior to the Offer Purchase Date, the Company shall (i) deliver to Parent (or Parent's counsel) promptly, following the receipt thereof, copies of all written communications between the Company and the SEC relating to either the Information Statement or the Form 10 (or the registration statement referred to in Section 3.1(a), as the case may be), and (ii) advise Parent (or Parent's counsel) promptly of, and provide Parent (or Parent's 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 either the Information Statement or the Form 10 (or the registration statement referred to in Section 3.1(a), as the case may be). The Company shall respond promptly to any comments from the SEC with respect thereto, after consultation with Parent (or Parent's counsel), and shall take such other actions as shall be reasonably required in order to have the Form 10 declared effective under the Exchange Act, or the registration statement referred to in Section 3.1(a) hereof declared effective under the Securities Act, as the case may be, as soon as reasonably practicable following the date hereof. Before filing with the SEC the Solicitation/Recommendation Statement on Schedule 14D-9 of the Company to be filed by the Company in connection with the Offer, and all amendments or supplements thereto, the Company shall furnish to Parent (or Parent's counsel) copies of all such documents proposed to be filed, in order to give Parent (or Parent's counsel) sufficient time to review such documents, and such documents may thereafter be filed subject to any timely and reasonable comments of Parent (or Parent's counsel). Following the

date hereof, the Company shall, and shall cause its Affiliates to, provide promptly to Parent, Purchaser and their respective counsel all such information as such persons may reasonably request in connection with the Tender Offer Statement on Schedule 14D-1 of the Purchaser or Parent to be filed in connection with the Offer.

(c) The Company and Spinco shall cooperate in preparing, filing with the SEC and causing to become effective any registration statements or amendments thereto which are appropriate to reflect the establishment of, or amendments to, any employee benefit and other plans contemplated by this Agreement.

(d) The Company and Spinco shall take all such action as may be necessary or appropriate under state securities or "Blue Sky" Laws in connection with the transactions contemplated by this Agreement.

(e) The Company and Spinco shall prepare, and Spinco shall file and seek to make effective, an application to permit listing of the Spinco Common Stock either on the NYSE or any other national securities exchange or national market system as may be selected by Spinco in its sole discretion (to the extent permitted pursuant to the listing requirements of such exchange or national market system).

(f) The Company and Spinco shall prepare and file an application with the FCC (the "FCC Application") requesting the FCC's consent to the transfer of control of any licenses, permits, approvals or other authorizations issued by the FCC to the Company and its Subsidiaries in connection with their telecommunications and space systems business, including those licenses, permits, approvals and authorizations set forth in Section 3.1(f) of the Disclosure Schedule.

(g) In addition to the actions specifically provided for elsewhere in this Agreement and except as otherwise expressly set forth in this Agreement, each of the parties hereto shall use its respective best efforts to take, or cause to be taken, all actions, and, to execute and deliver, or cause to be executed and delivered, such additional documents and instruments, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws and

agreements to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using its best efforts to obtain the consents and approvals, to enter into any amendatory agreements and to make the filings and applications necessary or desirable to have been obtained, entered into or made in order to consummate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing sentence, each of the parties hereto shall use its respective best efforts to ensure that the conditions set forth in Article X hereof are satisfied (insofar as such matters are within the control of such party). Notwithstanding any other provisions set forth in this Agreement (including, without limitation, the provisions of this Section 3.1(g)), neither the Company, nor Spinco nor any of their respective Affiliates shall, without first obtaining the prior written consent of the Parent, take or commit to take any action, in connection with obtaining any consent, waiver or approval or effecting any of the transactions contemplated in connection with the Closing or otherwise, (i) except as otherwise expressly provided in this Agreement, that would result in the payment of any funds (other than normal and usual filing fees) or the incurrence of any liability by the Company or any Retained Subsidiary, (ii) that would result in the divestiture or holding separate of any assets, businesses or operations of the Company or any of the Retained Subsidiaries, (iii) that might materially limit or impair Parent's or the Company's or any Retained Subsidiary's freedom of action with respect to, or its ability to retain or exercise control over, any assets, businesses or operations of the Company or any Retained Subsidiaries (other than any limitations or restrictions expressly set forth in the Merger Agreement, the Tax Sharing Agreement, the Stockholders Agreement or any other agreement to be entered into pursuant to this Agreement or the Merger Agreement prior to the Offer Purchase Date), or (iv) that might otherwise adversely affect Parent, or, following the Offer Purchase Date, either the Company or any Retained Subsidiary.

Section 3.2. The Distribution.

(a) Subject to the terms and conditions of this Agreement, the Company's Board of Directors (or any duly appointed committee thereof) shall in its reasonable discretion establish the Record Date and the

Distribution Date and any appropriate procedures in connection with the Distribution (subject in each case to the provisions of applicable Law) as soon as reasonably practicable following the date hereof or on such other dates as Parent may reasonably request; provided that (x) the Record Date may not be earlier than the twentieth day following the date on which the Offer is commenced and also may not be earlier than the tenth day following the Distribution Declaration Date and (y) the parties hereto shall use their reasonable efforts to cause the Record Date to be established so as to occur immediately prior to the acceptance for payment by the Purchaser of the shares of Common Stock pursuant to the Offer (provided that in no event shall the Record Date be established so as to occur as of or at any time after the acceptance for payment by the Purchaser of the shares of Common Stock pursuant to the Offer); provided further that if all conditions to the Offer have been satisfied or waived prior to the date on which all of the Distribution Conditions have been satisfied (or waived, to the extent expressly permitted by the provisions of Section 10.1 hereof), then the Purchaser shall be permitted, but not required, to accept for payment at such time the shares of Common Stock pursuant to the Offer notwithstanding the fact that the Distribution Conditions have not been satisfied or waived (provided that prior to such acceptance for payment Purchaser first obtains the consent of the Company, which consent may not be unreasonably withheld) (as further described in clause (a)(iii) below). The parties hereto acknowledge and agree that payment of the Distribution shall be conditioned on (x) the satisfaction (or waiver, to the extent expressly permitted by the provisions of Section 10.1 hereof) of each of the Distribution Conditions on a date which is prior to the fiftieth (50th) day following the Record Date and (y) Parent and Purchaser not having taken any action, on or after the Distribution Declaration Date, to extend or delay the expiration of the Offer to a date which is later than the Record Date. The parties hereto further acknowledge and agree that:

(i) if the Distribution Conditions are satisfied (or waived, to the extent expressly permitted by the provisions of Section 10.1 hereof) prior to the fiftieth (50th) day following the Record Date, the conditions to the Distribution shall be deemed to have been satisfied and, if such

date is on or prior to the Offer Purchase Date, the Record Date shall be deemed to have occurred immediately prior to the time at which the Purchaser has accepted for payment the shares of Company Common Stock pursuant to the Offer and the Distribution shall occur one Business Day thereafter;

(ii) if the Offer Purchase Date has not yet occurred and the Distribution Conditions are not satisfied or waived prior to the fiftieth (50th) day following the Record Date, (A) the Distribution shall not be paid, the declaration of the Distribution shall be null and void, and no holder of Company Common Stock shall have any rights whatsoever to receive any part of the Distribution, and (B) the Company's Board of Directors shall establish a new Record Date in a manner consistent with the provisions of the first sentence of this Section 3.2(a); and

(iii) if the Offer Purchase Date has already occurred and the Distribution Conditions are not expected to be satisfied or waived prior to the fiftieth (50th) day following the Record Date, the parties hereto agree to use their respective best efforts to restructure the Distribution in a manner which shall permit the holders of Company Common Stock of record immediately prior to the consummation of the Offer to participate in a distribution of shares of Spinco capital stock in order to preserve for such holders the material economic benefits of the Distribution; provided that, in connection with any such restructuring of the Distribution, the parties hereto must first obtain the prior consent (which consent may not be unreasonably withheld of a majority of the remaining Continuing Directors (such term, as defined in Section 8.4 of the Merger Agreement), if any (it being understood and agreed that the consent of the remaining Continuing Directors may be reasonably withheld by such remaining Continuing Directors in the event that counsel to such remaining Continuing Directors advises such persons that, in such counsel's reasonable opinion, any such restructuring of the Distribution would adversely affect in any material respect the holders of Company Common Stock of record immediately prior to the consummation of the Offer

with respect to the income tax or securities law consequences of the Distribution).

(b) Subject to Section 10.1 hereof, following the declaration by the Company's Board of Directors of the Record Date but prior to the Distribution Date, the Company shall deliver to the Agent one or more share certificates representing all of the outstanding shares of Spinco Common Stock (or other Spinco capital stock if necessary in the circumstances set forth in paragraph (a)(iii) above) to be distributed in the Distribution and shall instruct the Agent to distribute on the Distribution Date, (i) one share of Spinco Common Stock (or other Spinco capital stock if necessary in the circumstances set forth in paragraph (a)(iii) above) for each share of Company Common Stock owned to holders of record of Company Common Stock on the Record Date (subject to the provisions of any restricted stock or other benefit plan of the Company) and (ii) one share of Spinco Common Stock (or other Spinco capital stock if necessary in the circumstances set forth in paragraph (a)(iii) above) for each share of Company Common Stock subject to a Cancelled Company Option to the respective holders of such Cancelled Company Options (provided that the Agent shall not distribute the shares referred to in the preceding clause (ii) until promptly after the effective time of the Merger). Spinco agrees to provide all share certificates that the Agent shall require in order to effect the Distribution. All shares of Spinco Common Stock issued in the Distribution shall be duly authorized, validly issued, fully paid, non-assessable and free of preemptive rights.

(c) Each of the parties hereto agrees that, immediately upon consummation of the Distribution, the Company shall not hold or beneficially own directly or indirectly any shares of Spinco Common Stock.

Section 3.3. Termination of Certain Claims. Following the Distribution Date, Spinco shall have no claims against the Company, any Retained Subsidiary or any Affiliate of either based on any breach by the Company, and Retained Subsidiary or any of their respective Affiliates of any obligations under this Agreement that occurred on or prior to the Offer Purchase Date, all of such claims being hereby irrevocably waived and terminated as of the Offer Purchase Date; provided that the fore-

going shall not limit the Company's liability for any breach by the Company or any Retained Subsidiary of any of their respective obligations under this Agreement that occurs following the Offer Purchase Date.

ARTICLE IV

INTERCOMPANY BUSINESS RELATIONSHIPS

Section 4.1. Settlement of Intercompany Accounts.

(a) Except as expressly provided for in this Article IV, all intercompany and interdivisional receivables, payables, loans, cash overdrafts and other accounts in existence as of the Distribution Date between Spinco and the Spinco Companies, on the one hand, and the Company and the Retained Subsidiaries, on the other hand, under the Company's cash management program or otherwise (other than accounts, if any, which (x) are owed to or by any Spinco Company which is not an Affiliate of Spinco or the Company, (y) arose pursuant to the express terms and conditions of any Existing Intercompany Agreement and (z) are not yet payable pursuant to the provisions of such Intercompany Agreement), shall be settled by payment in full of such amounts effective immediately prior to the Restructuring. Following the date hereof, (i) no such intercompany transactions shall be entered into except (x) pursuant to the express terms and conditions of any Existing Intercompany Agreement and (y) in the ordinary course of business and in a manner consistent with past practice, and (ii) except with the prior written consent of the Parent, neither the Company, any Retained Subsidiary, Spinco or any Spinco Company shall enter into any Intercompany Agreement following the date hereof and prior to the Offer Purchase Date, except for any Intercompany Agreement which (x) is on terms and conditions entered into in the ordinary course of business and in a manner consistent with past practices and (y) is not otherwise significantly adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Company, any Retained Subsidiary or the Retained Business or (ii) the ability of the Company or any of the Retained Subsidiaries to perform their respective obligations under this

Agreement, the Tax Sharing Agreement or the Stockholders Agreement.

(b) Following the Distribution Date, each of the Company and Spinco shall give the other party and any independent auditors of such other party full access at all reasonable times to the books and records of the Company and Spinco (and each of their respective Subsidiaries) relating to periods prior to the Distribution Date for purposes of verifying the amounts to be paid immediately prior to the Restructuring pursuant to Section 4.1(a) above and for resolving any disputes related thereto. The amounts settled shall, to the extent applicable, be calculated in accordance with Adjusted GAAP.

(c) Except as otherwise expressly provided in Section 2.1(a) hereof, the Company and Spinco covenant and agree that no Capital Contributions may be made following the date hereof and prior to the Offer Purchase Date; provided that the Company may make a Capital Contribution at any time after (i) the Company notifies Parent in writing of the details of such Capital Contribution, and (ii) the parties hereto agree to reduce the Spinco Cash Amount otherwise payable by Parent as a result of such Capital Contribution (which shall include interest thereon (calculated at a compounded rate of interest equal to the commercial paper rate available to the Company as of the date hereof) following the date of such Capital Contribution) and (iii) the parties agree at such time as to the appropriate amount of such reduction in the event of a Capital Contribution which is in a form other than cash.

Section 4.2. Settlements for Cash Collections and Disbursements After the Distribution Date.

(a) For each calendar month commencing with the month in which the Distribution Date occurs and, unless sooner terminated by agreement of the parties, continuing for a period of two (2) years thereafter, (i) within 10 Business Days of the end of the month in question, the Company shall prepare, and Spinco shall fully cooperate in preparing, a statement of transactions which shall reflect a complete analysis of any cash collections and cash disbursements by the Company and the Retained Subsidiaries on behalf of Spinco and the Spinco Companies (including those relating to the Spinco Business) during

the relevant month and (ii) within 10 Business Days of the end of the month in question, Spinco shall prepare, and the Company shall fully cooperate in preparing, a statement of transactions which shall reflect a complete analysis of any cash collections and cash disbursements by Spinco and the Spinco Companies on behalf of the Company and the Retained Subsidiaries during the relevant month (including those relating to the Retained Business); provided in each case that, with respect to the first such monthly period such statement shall not reflect any cash collections or disbursements occurring prior to the Distribution Date.

(b) Not later than five Business Days following delivery of each such monthly statement, Spinco shall pay to the Company or the Company shall pay to Spinco, as the case may be, in cash an amount necessary to eliminate the account balance as reflected in each such statement. Payments made pursuant to this Section 4.2 shall not, for any purposes of this Agreement, constitute Indemnifiable Losses or be set off against any other payments to be made, Liabilities asserted or claims made pursuant to this Agreement, including but not limited to Article V hereof, unless the Company and Spinco otherwise agree in writing.

(c) Following the end of the two-year period referred to in Section 4.2(a) above (or such earlier period as the parties hereto may agree), (i) the Company shall promptly turn over to Spinco all cash and other similar amounts received by the Company and the Retained Subsidiaries which properly constitute Assets attributable to the Spinco Business and (ii) Spinco shall promptly turn over to the Company all cash and other similar amounts received by Spinco and the Spinco Companies which properly constitute Assets attributable to the Retained Business.

Section 4.3. Transition Services. Following the Distribution Date and ending on the later of (i) the sixth month anniversary of the Distribution Date and (ii) December 31, 1996 (such period, the "Transition Services Period"), the Company shall provide to Spinco, at such times and in such amounts as may be reasonably requested by Spinco, those data processing, procurement support, travel support, communications, tax, accounting, legal, insurance, employee benefits and similar services which

have been customarily provided by the Company and the Retained Subsidiaries to the Spinco Business during the twelve months prior to the date hereof (collectively, the "Transition Services"). The Transition Services shall be provided at a cost calculated in accordance with the cost the Company currently assesses to the Spinco Companies and the Spinco Business for the same or similar services. Following the end of the calendar month in which any such Transition Services are performed, the Company shall provide to Spinco an invoice (the "Transition Services Invoice") setting forth in summary detail the Transition Services which were provided during such calendar month and the appropriate cost thereof. Spinco shall pay to the Company in cash in immediately available funds, in a reasonably prompt manner following the delivery by the Company of a Transition Services Invoice, the amounts due with respect to the Transition Services reflected on such Transition Services Invoice. The Transition Services Period may be extended for up to two six-month periods in the event that Spinco notifies the Company at least 30 days prior to the expiration of the then-current Transition Services Period of its intention to so extend the Transition Services Period.

Section 4.4. Termination of Intercompany Arrangements. Each of the parties hereto agrees that, except as otherwise expressly provided in this Article IV, all Existing Intercompany Agreements in effect immediately prior to the Distribution Date shall not be deemed altered, amended or terminated as a result of this Agreement or the consummation of the transactions contemplated hereby and shall otherwise remain in effect immediately after giving effect to the Restructuring (provided that nothing contained in this Agreement shall be deemed to limit any party's ability to terminate any such Intercompany Agreement following the Distribution Date in accordance with the provisions of such Intercompany Agreement).

ARTICLE V

SURVIVAL AND INDEMNIFICATION

Section 5.1. Survival of Agreements. The obligations under this Article V of each of Spinco and the Spinco Companies, on the one hand, and the Company and the Retained Subsidiaries, on the other hand, shall survive the sale or other transfer by it of any Assets or businesses or the assignment by it of any Liabilities. To the extent that Spinco or any of the Spinco Companies transfers directly or indirectly to any other person all or substantially all of the Spinco Assets or the Spinco Business, Spinco will cause the transferee of such SpincoAssets or Spinco Business to assume specifically its obligations under this Agreement with respect thereto and will cause such transferee to fulfill its obligations related to such Spinco Liabilities. Such assumption will not relieve Spinco of its obligations in respect thereof. To the extent that the Company or any of the Retained Subsidiaries transfers directly or indirectly to any other person all or substantially all of the Retained Assets or the Retained Business the Company will cause the transferee of such Retained Assets or Retained Business to assume specifically its obligations under this Agreement with respect thereto and will cause such transferee to fulfill its obligations related to such Retained Liabilities. Such assumption will not relieve the Company of its obligations in respect thereof. Spinco, on the one hand, and the Company, on the other hand, agree that such transferee may exercise all of Spinco's or the Company's rights hereunder, as the case may be, with respect to such Assets or businesses.

Section 5.2. Spinco's Agreement to Indemnify.

(a) In addition to any indemnification required by Articles II, VI and VIII hereof, subject to the terms and conditions set forth in this Agreement, from and after the Distribution Date, Spinco shall indemnify, defend and hold harmless the Company, each Retained Subsidiary, the Purchaser and Parent and each of their respective directors, officers, employees, representatives, advisors, agents and Affiliates (collectively, the "Parent Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the Parent Indemnified Parties arising out of, relating to or re-

sulting from, directly or indirectly, (i) any misrepresentation or breach of warranty made by or on behalf of Spinco or, on or prior to the Offer Purchase Date, made by or on behalf of the Company, which misrepresentation or breach of warranty is contained in this Agreement or the Stockholders Agreement, (ii) any breach of any agreement or covenant under this Agreement or the Stockholders Agreement on the part of Spinco or, on or prior to the Offer Purchase Date, on the part of the Company, (iii) any and all Spinco Liabilities, (iv) the conduct of the Spinco Business or any part thereof on, prior to or following the Distribution Date, (v) any transfer of Spinco Assets to, or assumption of Spinco Liabilities by, Spinco or any Spinco Company in accordance with this Agreement or otherwise in connection with the Restructuring (other than any costs and expenses which have been expressly assumed by the Company pursuant to the provisions of this Agreement), (vi) any Indemnifiable Loss resulting from any claims that any statements or omissions relating to or describing, directly or indirectly, Spinco, any Spinco Company, the Spinco Business, any Spinco Asset or any Spinco Liability, and which occur on or prior to the Offer Purchase Date (A) in the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 hereof (in each case other than with respect to any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors and other than any statements or omissions which relate solely to the Merger Agreement and this Agreement and the transactions contemplated thereby and hereby), or (B) in any document(s) filed with the SEC by Spinco or any Spinco Company after the date hereof pursuant to either the Securities Act or the Exchange Act (in each case other than with respect to any statements or omissions which relate solely to the Merger Agreement and this Agreement and the transactions contemplated thereby and hereby), which, in the case of either clause (A) or (B) above, are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (vii) the failure of the Company or Spinco to obtain any Final Order or other consent or approval of the FCC with respect to any of the transactions contemplated pursuant to either this Agreement or the Merger Agreement and (viii)

any Excluded Indemnifiable Losses (as defined below). Notwithstanding the foregoing, Spinco's indemnification obligations pursuant to this Section 5.2 shall not in any event include any Indemnifiable Losses arising out of or relating to Transaction Suits (as defined in Section 6.5), except to the extent of any Indemnifiable Losses (such Indemnifiable Losses, the "Excluded Indemnifiable Losses") which the Company is able to demonstrate resulted directly from (a) any statement or omission on the part of Spinco or any of its Affiliates in the documents referred to in Section 5.2(a)(vi) above or (b) any business activities, Assets or Liabilities of Spinco, any of the Spinco Companies or the Spinco Business.

(b) Notwithstanding Spinco's obligations to indemnify Parent Indemnified Parties pursuant to Section 5.2(a) hereof, Spinco shall be obligated to indemnify the Parent Indemnified Parties only for those Indemnifiable Losses under clauses (i), (ii) or (vi) of Section 5.2(a) hereof as to which the Parent Indemnified Parties have given Spinco written notice thereof on or prior to the third anniversary of the Distribution Date (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (iii), (iv), (v), (vii) and (viii) of Section 5.2(a) hereof); provided further that claims with respect to breaches of covenants and agreements set forth in this Agreement or the Stockholders Agreement shall survive for the applicable statute of limitations period. Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Parent Indemnified Party has given notice to Spinco pursuant to Section 5.4 hereof of any matter which would be the basis for a claim of indemnification by such Parent Indemnified Party pursuant to Section 5.2(a), such Parent Indemnified Party shall have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

Section 5.3. The Company's Agreement to Indemnify.

(a) In addition to any indemnification required by Articles II, VI and VIII hereof, subject to the terms and conditions set forth in this Agreement, from and after the Distribution Date, the Company shall indemnify, defend and hold harmless Spinco, each Spinco

Company and each of their respective directors, officers, employees, representatives, advisors, agents and Affiliates (collectively, the "Spinco Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the Spinco Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, (i) any breach of any agreement or covenant set forth in this Agreement or in the Stockholders Agreement on the part of Parent or the Purchaser or, following the Offer Purchase Date, on the part of the Company, (ii) any and all Retained Liabilities, (iii) the conduct of the Retained Business or any part thereof on, prior to or following the Distribution Date, (iv) any Indemnifiable Loss resulting from any claims that any statements or omissions (A) relating to or describing, directly or indirectly, Parent or the Purchaser, and which occur on or prior to the Offer Purchase Date in any Solicitation/Recommendation Statement on Schedule 14D-9 of the Company filed in connection with the Offer, the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 or Section 3.3 hereof (in each case only to the extent of any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors), (B) in any Tender Offer Statement on Schedule 14D-1 of the Purchaser or Parent filed in connection with the Offer (other than any statements or omissions made in reliance upon and in conformity with information furnished in writing by the Company, any Retained Subsidiary, Spinco, any Spinco Company or any of their respective Affiliates, representatives or advisors), or (C) in any other document(s) filed after the date hereof by Parent or the Purchaser with the SEC pursuant to either the Securities Act or the Exchange Act (e.g., statements or omissions made in a Current Report on Form 8-K filed by either Parent or the Purchaser after the date hereof pursuant to the Exchange Act), which, in the case of either clauses (A), (B) or (C) above, are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (v) any Indemnifiable Loss arising out of or resulting from Transaction Suits (other than Excluded Indemnifiable Losses). Notwithstanding the foregoing and anything to the contrary in this Agreement or any other agreement to

be entered into pursuant to this Agreement, the Company shall not be required to indemnify, defend and hold harmless any Spinco Indemnified Party from and against any Indemnifiable Loss resulting from any claims that the statements included in the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 or Section 3.3 hereof (in each case other than statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors expressly for use therein) are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Notwithstanding the Company's obligations to indemnify the Spinco Indemnified Parties pursuant to Section 5.3(a) hereof, the Company shall be obligated to indemnify the Spinco Indemnified Parties only for those Indemnifiable Losses under Sections 5.3(a)(i) and 5.3(a)(iv) hereof as to which the Spinco Indemnified Parties have given the Company written notice thereof on or prior to the expiration of any applicable statute of limitations period (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (ii) and (iii) of Section 5.3(a) hereof). Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Spinco Indemnified Party has given notice to the Company pursuant to Section 5.4 hereof of any matter which would be the basis for a claim of indemnification by such Spinco Indemnified Party pursuant to Section 5.3(a), such Spinco Indemnified Party shall have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

Section 5.4. Procedure for Indemnification. All claims for indemnification under this Article V shall be asserted and resolved as follows:

(a) In the event that any claim or demand, or other circumstance or state of facts which could give rise to any claim or demand, for which an Indemnifying Party may be liable to an Indemnified Party hereunder

is asserted against or sought to be collected by a third party (an "Asserted Liability"), the Indemnified Party shall promptly notify the Indemnifying Party in writing of such Asserted Liability, specifying the nature of such Asserted Liability and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice"); provided that no delay on the part of the Indemnified Party in giving any such Claim Notice shall relieve the Indemnifying Party of any indemnification obligation hereunder unless (and then solely to the extent that) the Indemnifying Party is materially prejudiced by such delay. The Indemnifying Party shall have 20 days (or less if the nature of the Asserted Liability requires) from its receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Party whether or not the Indemnifying Party desires, at the Indemnifying Party's sole cost and expense and by counsel of its own choosing, which shall be reasonably satisfactory to the Indemnified Party, to defend against such Asserted Liability; provided that if, under applicable standards of professional conduct a conflict on any significant issue between the Indemnifying Party and any Indemnified Party exists in respect of such Asserted Liability, then the Indemnifying Party shall reimburse the Indemnified Party for the reasonable fees and expenses of one additional counsel to be retained in order to resolve such conflict, promptly upon presentation by the Indemnified Party of invoices or other documentation evidencing such amounts to be reimbursed. If the Indemnifying Party undertakes to defend against such Asserted Liability, 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 Asserted Liability, (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 Liabili-

ties 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 Parent, the Company or the Retained Business (in the case of a Parent Indemnified Party), Spinco or the Spinco Business (in the case of a Spinco Indemnified Party), or such Indemnified Party. Notwithstanding the foregoing, the Indemnified Party shall have the right to control, pay or settle any Asserted Liability which the Indemnifying Party shall have undertaken to defend so long as the Indemnified Party shall also waive any right to indemnification therefor by the Indemnifying Party. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the investigation, defense and settlement thereof. If the Indemnified Party desires to participate in any such defense it may do so at its sole cost and expense. If the Indemnifying Party does not undertake within the Notice Period to defend against such Asserted Liability, 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 Asserted Liability 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 5.4, 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). The Indemnified Party and the Indemnifying Party agree to make available to each other, their counsel and other representatives, all information and documents available to them which relate to such claim or demand (subject to the confidentiality provisions of Section 7.5 hereof); provided that no party hereto shall be obligated to disclose any information which would result in the waiver of any attorney-client, attorney work product or other

similar privileges, if the disclosure of such information would be materially prejudicial to such disclosing party. The Indemnified Party and the Indemnifying Party and the Company and its employees also agree to render to each other such assistance and cooperation as may reasonably be required to ensure the proper and adequate defense of such claim or demand.

(b) In the event that an Indemnified Party should have a claim against the Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party. The Indemnifying Party shall have 20 days from the date such Claim Notice is delivered during which to notify the Indemnified Party in writing of any good faith objections it has to the Indemnified Party's Claim Notice or claims for indemnification, setting forth in reasonable detail each of the Indemnifying Party's objections thereto. If the Indemnifying Party does not deliver such written notice of objection within such 20-day period, the Indemnifying Party shall be deemed to have accepted responsibility for the prompt payment of the Indemnified Party's claims for indemnification, and shall have no further right to contest the validity of such indemnification claims. If the Indemnifying Party does deliver such written notice of objection within such 20-day period, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve any such dispute within 30 days of the delivery by the Indemnifying Party of such written notice of objection. If the Indemnifying Party and the Indemnified Party are unable to resolve any such dispute within such 30-day period, then either the Indemnifying Party or the Indemnified Party shall be free to pursue any remedies which may be available to such party under applicable Law.

Section 5.5. Miscellaneous Indemnification Provisions.

(a) The Indemnifying Party agrees to indemnify any successors of the Indemnified Party to the same extent and in the same manner and on the same terms and conditions as the Indemnified Party is indemnified by the Indemnifying Party under this Article V. In the event that any claim for indemnification under either

Articles II, V, VI or VIII hereof meets the criteria of more than one of the types of claims for which indemnification is provided for under such provisions, the Indemnified Party, in its sole discretion, shall classify such claim and only be required to include such claim, and the recoveries for indemnification therefrom, in one of such categories. No investigation made by any party hereto shall affect any representation or warranty of the other party's hereto contained in this Agreement or in the Schedules attached hereto or any certificate, document or other instrument delivered in connection herewith. The consummation by Parent of the Offer pursuant to the terms and conditions of the Merger Agreement, either with or without knowledge of a breach of warranty or covenant or misrepresentation by any party hereto, shall not constitute a waiver of any claim by any Parent Indemnified Party for Indemnifiable Losses with respect to such breach or misrepresentation. In determining the amount of Indemnifiable Losses to which a Parent Indemnified Party or Spinco Indemnified Party (as the case may be) is entitled to indemnification hereunder, an arbitration panel, court or tribunal may take into consideration, where appropriate and without duplication, any diminution in the aggregate value of the Retained Business or the Spinco Business (as the case may be). Notwithstanding anything to the contrary contained in this Agreement, the assignment of any party's rights hereunder to any other person or entity shall not limit, affect or prejudice the ability of the assigning party to continue to enforce any rights of indemnification hereunder or other rights hereunder in accordance with the terms and conditions of this Agreement.

(b) In determining the amount of any indemnity payable under this Article V, such amount shall be reduced by (x) any related tax benefits if and when actually realized or received (but only after taking into account any tax benefits (including, without limitation, any net operating losses or other deductions) to which the Indemnified Party would be entitled without regard to such item), except to the extent such recovery has already been taken into account in determining the amount of any indemnity payable under Articles II, V, VI or VIII hereof, and (y) any insurance recovery if and when actually realized or received, in each case in respect of such Asserted Liability. Any such recovery shall be promptly repaid by the Indemnified Party to the Indemni-

fying Party following the time at which such recovery is realized or received pursuant to the previous sentence, minus all reasonably allocable costs, charges and expenses incurred by the Indemnified Party in obtaining such recovery. Notwithstanding the foregoing, if (x) the amount of Indemnifiable Losses for which the Indemnifying Party is obligated to indemnify the Indemnified Party is reduced by any tax benefit or insurance recovery in accordance with the provisions of the previous sentence, and (y) the Indemnified Party subsequently is required to repay the amount of any such tax benefit or insurance recovery or such tax benefit or insurance recovery is disallowed, then the obligation of the Indemnifying Party to indemnify with respect to such amounts shall be reinstated immediately and such amounts shall be paid promptly to the Indemnified Party in accordance with the provisions of this Agreement.

(c) In the event that a dispute between any Indemnifying Party and any Indemnified Party concerning the existence of a right or obligation to indemnity under this Agreement is determined by any arbitration panel or any court or tribunal, the reasonable fees and expenses of the attorneys for the party which is principally prevailing in such action shall be paid by the party which is not principally prevailing in such action.

(d) All amounts owing under this Article V shall bear interest at a fluctuating rate of interest equal to the rate of interest from time to time announced by Citibank, N.A. in New York, New York as its prime lending rate, computed from the time such Damage, cost or expense was incurred or suffered to the date of payment therefor.

(e) The remedies provided by this Article V shall be the parties' sole and exclusive remedies for the recovery of any Indemnifiable Losses resulting, from or arising out of or related to misrepresentations, breaches of warranties, and non-fulfillment of obligations under this Agreement, except those arising from or arising out of or related to fraud; provided that the provisions of this Section 5.5(e) shall not limit the ability of any party to seek injunctive or similar relief pursuant to Section 11.11 hereof.

(f) The parties hereto agree that, notwithstanding any other provision in this Agreement to the contrary, in the event of any breach of the representation and warranty set forth in Section 6.1(c)(i) hereof, in addition to the indemnities provided for in this Article V, Spinco shall either (a) secure the prompt release of the Company, the Retained Companies, the Retained Business and any affected Parent Indemnified Party from all obligations and Liabilities relating to those Spinco Liabilities or Spinco Indebtedness for which the Company, the Retained Companies, the Retained Business or any affected Parent Indemnified Party is or has become liable, directly or indirectly, as borrower, surety, guarantor or otherwise (or with respect to which any of the Retained Assets is or has become bound by or subject to) or (b) promptly prepay, redeem, purchase or defease (pursuant to a trust arrangement reasonably acceptable to Parent) in full all such Spinco Liabilities or Spinco Indebtedness. Spinco shall take or cause to be taken all actions, execute such agreements, documents or instruments, and do or cause to be done all things, necessary, proper or advisable under the terms of the agreements governing the Spinco Liability or Spinco Indebtedness in question and under the provisions of applicable Law, or as Parent may otherwise reasonably request, in connection with the fulfillment of Spinco's obligations under this Section 5.5(f).

Section 5.6. Pending Litigation. Following the Distribution Date, (a) Spinco shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the Spinco Business, the Spinco Assets or the Spinco Liabilities (each, a "Spinco Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of the Company, and (b) the Company shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the Retained Business, the Retained Assets or the Retained Liabilities (each, a "Retained Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of Spinco; provided that if both the Company and Spinco are named as parties to any Spinco Action or Retained Action, neither the Company nor Spinco (nor any of their respective Subsidiaries) may settle or

compromise, or consent to the entry of any judgment with respect to, any such Action without the prior written consent of the other party (which consent may not be unreasonably withheld) if such settlement, compromise or consent to such judgment includes any form of injunctive relief binding upon such other party. Spinco shall indemnify, defend and hold harmless each of the Parent Indemnified Parties, and the Company shall indemnify and hold harmless each of the Spinco Indemnified Parties, in the manner provided in this Article V, from and against all Indemnifiable Losses arising out of or resulting from each such Action over which such indemnifying party has authority and control pursuant to this Section 5.6.

Section 5.7. Construction of Agreements. Notwithstanding any other provision in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Article V and the provisions of any other part of this Agreement or any exhibit or schedule hereto, the provisions of this Article V shall control, and in the event and to the extent that there shall be a conflict between the provisions of this Agreement (including, without limitation, the provisions of this Article V) and the provisions of the Tax Sharing Agreement, the provisions of the Tax Sharing Agreement shall control.

ARTICLE VI

CERTAIN ADDITIONAL MATTERS

Section 6.1. Representations or Warranties; Disclaimers.

(a) It is the explicit intent of each party hereto that no party to this Agreement or to the Merger Agreement is making any representation or warranty whatsoever, express or implied, in this Agreement, the Merger Agreement, the Tax Sharing Agreement or the Stockholders Agreement or in any other agreement contemplated hereby or thereby, except those representations and warranties expressly set forth in this Agreement. Each of the parties hereto agrees, to the fullest extent permitted by Law, that none of them nor any of their Affiliates, agents or representatives shall have any liability or responsibility whatsoever to any such other party

hereto or such other party's Affiliates, agents or representatives on any basis (including, without limitation, in contract or tort, under federal or state securities laws or otherwise) based upon any information provided or made available, or statements made, to any such other party or such other party's Affiliates, agents or representatives (or any omissions therefrom), including, without limitation, in respect of the specific representations and warranties set forth in this Agreement and the Merger Agreement and the covenants and agreements set forth in the Merger Agreement, except (i) as and only to the extent expressly set forth in the indemnification provisions of Article V hereof and as otherwise expressly set forth herein (subject to the limitations and restrictions contained herein), and (ii) with respect to breaches of the covenants and agreements set forth in this Agreement.

(b) Without limiting the generality of the foregoing, it is understood and agreed (a) that neither Parent, the Company nor any of the Retained Subsidiaries is, in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting in any way as to the value or freedom from encumbrance of, or any other matter concerning, any Spinco Assets, (b) that the Spinco Assets are being transferred "as is, where is" and (c) that, subject to the obligations of the Company set forth in Sections 2.1(b) and 6.2 hereof, Spinco shall bear the risk that any conveyances of the Spinco Assets might be insufficient or that Spinco's or any of the Spinco Company's title to any Retained Assets shall be other than good and marketable and free from encumbrances. Similarly, it is understood and agreed that neither Parent, the Company nor any of the Retained Subsidiaries is, in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting to Spinco or any Spinco Indemnified Party in any way that the obtaining of the consents and approvals, the execution and delivery of any amendatory agreements and the making of the filings and applications contemplated by this Agreement shall satisfy the provisions of any or all applicable agreements or the requirements of all applicable Laws or judgments.

(c) Spinco represents and warrants to the Company that (i) except as expressly provided in the

Globalstar Bank Guarantee (as amended pursuant to the provisions of Section 2.5 hereof), neither the Company nor any of the Retained Subsidiaries will, after giving effect to the Restructuring, be liable directly or indirectly, as borrower, surety, guarantor, indemnitor or otherwise, with respect to (and that none of the Retained Assets shall be bound by or subject to) any of the Spinco Liabilities or any Spinco Indebtedness, (ii) there are no Intercompany Agreements in effect as of the date hereof, which, either individually or in the aggregate, are materially adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Retained Business or (ii) the ability of the Company or any of the Retained Subsidiaries to perform their respective obligations under this Agreement, the Tax Sharing Agreement or the Stockholders Agreement, (iii) there are no Spinco Assets which have been used within the Retained Business within one year prior to the date hereof, other than those Spinco Assets which are listed on Section 6.2(c) of the Disclosure Schedule, (iv) except as set forth in Section 6.1(c)(iv) of the Disclosure Schedule, neither Spinco nor any Spinco Company shall, immediately after giving effect to the Restructuring and the Distribution, own, hold or lease, in whole or in part, any of the assets, properties, licenses and rights which are reasonably necessary to carry on the Retained Business as presently conducted, and (v) prior to, on or shortly after the Distribution Date, GTL or Globalstar (as the case may be) will issue to the Company the Guarantee Warrants described in the Globalstar Warrant Memorandum and the term sheet set forth on Exhibit A-1 attached hereto, which warrants will be on the terms and conditions described in the Globalstar Warrant Memorandum and shall otherwise be on such terms and conditions as are customary to transactions of a similar nature.

Section 6.2. Further Assurances; Subsequent Transfers.

(a) To the extent that any of the transfers, distributions and deliveries required to be made pursuant to Article II shall not have been so consummated prior to the Distribution Date, the parties shall cooperate and use their best efforts to effect such consummation as promptly thereafter as reasonably practicable. Each of the parties hereto will execute and deliver such

further instruments of transfer and distribution and will take such other actions as any party hereto may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof. Without limiting the generality of the foregoing, at any time and from time to time after the Distribution Date, at the request of Spinco or any of its Subsidiaries, each party hereto will, and will cause each of its Subsidiaries to, execute and deliver such other instruments of transfer and distribution, and take such action as any party hereto may reasonably request in order to more effectively transfer, convey and assign to such requesting party or to the Subsidiaries of such requesting party and to confirm the right, title or interest held by such requesting party or any of the Subsidiaries of such requesting party, in the Assets to be transferred to such requesting party (or its Subsidiaries) pursuant to this Agreement, to put such requesting party and its Subsidiaries in actual possession and operating control thereof and to permit such requesting party and its Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained) and to properly assume and discharge the related Liabilities.

(b) Each of the parties hereto agrees to use its respective best efforts, at the Company's reasonable expense, to obtain any consents required to transfer and assign to (i) Spinco all agreements, leases, licenses and other rights of any nature whatsoever relating to the Spinco Assets, and (ii) the Company all agreements, leases, licenses and other rights of any nature whatsoever relating to the Retained Assets. In the event and to the extent that any party hereto or any of its Subsidiaries is unable to obtain any such required consents, (i) such party (or any Subsidiary that is a party to such agreements, leases, licenses and other rights, as the case may be) shall continue to be bound thereby (such person, the "Record Holder") and (ii) the party to which such Asset would otherwise be transferred pursuant to this Agreement (the "Beneficial Holder") shall pay, perform and discharge fully all the obligations of the Record Holder thereunder from and after the Distribution Date and indemnify such Record Holder for all Indemnifiable Losses arising out of such performance by

such Record Holder. The Record Holder shall, without further consideration therefor, pay, assign and remit to the Beneficial Holder promptly all monies, rights and other consideration received in respect of such performance. The Record Holder shall exercise or exploit its rights and options under all such agreements, leases, licenses and other rights and commitments referred to in this Section 6.2(b) only as reasonably directed by the Beneficial Holder and at the Beneficial Holder's expense. If and when any such consent shall be obtained or such agreement, lease, license or other right shall otherwise become assignable, the Record Holder shall promptly assign all its rights and obligations thereunder to the Beneficial Holder without payment of further consideration and the Beneficial Holder shall, without the payment of any further consideration therefor, assume such rights and obligations.

(c) In the event that, subsequent to the Distribution Date, the Company or any of the Retained Subsidiaries shall either (i) receive written notice from Spinco or any of the Spinco Companies that certain specified Assets of the Company or any of the Retained Subsidiaries which properly constitute Spinco Assets were not transferred to it on or prior to the Distribution Date or (ii) determine that certain Assets of the Company or any of the Retained Subsidiaries which constitute Spinco Assets were not transferred to Spinco or any of the Spinco Companies on or prior to the Distribution Date, then as promptly as practicable thereafter, the Company shall, and shall cause its Subsidiaries to, take all steps reasonably necessary to transfer and deliver any and all of such Assets to Spinco or its Subsidiaries at the recipient's reasonable expense. In the event that, subsequent to the Distribution Date, Spinco or any of the Spinco Companies shall either (i) receive written notice from the Company or any of the Retained Subsidiaries that certain specified Assets were transferred to Spinco or its Subsidiaries which properly constitute Retained Assets, or (ii) determine that certain Assets of Spinco or the Spinco Companies which constitute Retained Assets were transferred to Spinco or the Spinco Companies, then as promptly as practicable thereafter, Spinco shall, and shall cause the Spinco Companies to, take all steps reasonably necessary to transfer and deliver any and all of such Assets to the Company or the Company's Subsid-

iaries at the recipient's reasonable expense without the payment by the Company of any consideration therefor.

Section 6.3. The Spinco Board. Spinco and the Company shall take all actions which may be required to elect or otherwise appoint, on or prior to the Distribution Date, those individuals that the Board of Directors of the Company (as in effect prior to the consummation of the Offer) may designate as directors of Spinco.

Section 6.4. Use of Names. Following the Distribution Date, Spinco and each of the Spinco Companies shall have the sole and exclusive ownership of and right to use, as between the Company and each of the Retained Subsidiaries, on the one hand, and Spinco and each of the Spinco Companies, on the other hand, the "Loral" name and each of the names used (or formerly used) in the Spinco Business (the "Spinco Names"), and each of the trade marks, trade names, service marks and other proprietary rights related to such Spinco Names as set forth on Section 6.4 of the Disclosure Schedule (the "Spinco Proprietary Name Rights"); provided that the Company, the Retained Business and each of the Retained Subsidiaries is hereby granted a perpetual, fully paid-up, worldwide, non-exclusive license with respect to such Spinco Names and Spinco Proprietary Name Rights to the extent necessary to enable the Company, the Retained Business and each of the Retained Subsidiaries to continue to use such rights in their respective businesses with respect to (x) those governmental Contracts of the Retained Business (and any programs thereunder) in existence as of the Offer Purchase Date or those governmental programs for which a bid has been submitted prior to the Offer Purchase Date, and (y) those products and services of the type manufactured or sold by them on the date hereof or at any time during the last five years or under current development by them as of the date hereof. Following the Distribution Date, the Company and each of the Retained Subsidiaries shall have the sole and exclusive ownership of and right to use, as between Spinco and each of the Spinco Companies, on the one hand, and the Company and each of the Retained Subsidiaries, on the other hand, all names used (or formerly used) by the Company or any of the Retained Subsidiaries as of such date other than the Spinco Names (the "Company Names"), and all other trade marks, trade names, service marks and other proprietary rights owned or used by the Company or any of the Retai-

ned Subsidiaries as of such date other than the Spinco Proprietary Name Rights (the "Company Proprietary Name Rights"). Notwithstanding the foregoing, following the Distribution Date, (x) the Company shall, and shall cause its Subsidiaries and other Affiliates to, take all action reasonably necessary to cease using, and change as soon as commercially practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the Spinco Names or any of the Spinco Proprietary Name Rights, and (y) Spinco shall, and shall cause its Subsidiaries and other Affiliates to, take all action reasonably necessary to cease using, and change as soon as commercially practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the Company Names or any of the Company Proprietary Name Rights.

Section 6.5. Litigation Relating to Transaction.

(a) Following the date hereof, in the event that any Action is commenced against the Company or any of its Subsidiaries challenging either the Merger Agreement, this Agreement, the Tax Sharing Agreement or the Stockholders Agreement or any of the transactions contemplated therein or herein (any such Action, a "Transaction Suit"), then the Company shall provide promptly to Parent copies of all material pleadings sent or received after the date hereof by the Company or its counsel with respect to any such Transaction Suit(s).

(b) Parent shall be entitled to participate in the defense of each Transaction Suit and to employ counsel at its own expense to assist in the handling of each such Transaction Suit. The Company shall not settle or compromise any Transaction Suit or consent to the entry of any judgment with respect to any such Transaction Suit, without the prior written consent of Parent (which consent shall not be unreasonably withheld).

(c) Following the Distribution Date, Spinco shall be entitled to participate in the defense of each Transaction Suit to which it or any of its Affiliates is a party, and to employ counsel at its own expense to assist in the handling of each such Transaction Suit.

Following the Distribution Date, the Company shall not settle or compromise any Transaction Suit to which Spinco or any of its Affiliates is a party or consent to the entry of any judgment with respect to any such Transaction Suit, without the prior written consent of Spinco (which consent shall not be unreasonably withheld).

Section 6.6. Spinco Equity Arrangements. On or prior to the Offer Purchase Date, Spinco, the Company and each Retained Subsidiary which will be a holder of Spinco Preferred Stock immediately after giving effect to the Restructuring, shall each execute and deliver to the other counterparts of a stockholders agreement with respect to such Spinco Preferred Stock in substantially the form set forth in Exhibit A hereto.

Section 6.7. Post-Closing Business Relationships.

(a) License of Existing Intellectual Property Rights. The Company and the Retained Subsidiaries hereby grant to each of Spinco and the Spinco Companies, effective as of the Distribution Date, a perpetual, fully paid-up, worldwide, non-exclusive license with respect to the Intellectual Property Rights to the extent necessary to enable Spinco and the Spinco Companies to continue to use the Intellectual Property Rights in their respective businesses with respect to those products and services thereof of the type manufactured or sold by them on the date hereof or at any time during the last five years or under current development by them as of the date hereof; provided that neither Spinco nor any of the Spinco Companies shall be permitted to sublicense or otherwise transfer any of the Intellectual Property Rights referred to in this Section 6.7(a) to any Person other than an Affiliate of Spinco. Each of Spinco and the Spinco Companies acknowledges and agrees that neither the Company nor the Retained Subsidiaries nor any of their respective Affiliates is making any representations or warranties with respect to the ownership, validity, efficacy or other matters relating to any of the Intellectual Property Rights referred to in this Section 6.7(a).

(b) License of Certain Other Intellectual Property Rights. During the period commencing after the Distribution Date and ending on the third anniversary

thereof, the Company and the Retained Subsidiaries shall, at the request of Spinco or any Spinco Company, grant to Spinco or such Spinco Company a non-exclusive license for those applications reasonably related to the Spinco Business with respect to any Intellectual Property Rights not already covered by paragraph (a) above, which grant shall be made on terms and conditions no less favorable than those terms and conditions which may from time to time be extended generally by Parent to third parties with respect to similar products, services or applications; provided that neither the Company nor any of the Retained Subsidiaries shall be obligated to license to Spinco or any Spinco Company any of the Intellectual Rights referred to in this Section 6.7(b) if such Intellectual Property Rights relate to any product or service which competes with or will compete with those products or services of the type manufactured or sold by Parent, any Subsidiary of Parent, the Company or any of the Retained Subsidiaries on the date thereof or at any time during the previous five years or under current development by them as of the date thereof.

(c) Certain General Licensing Provisions. The license of Intellectual Property Rights granted pursuant to this Section 6.7 shall not affect the rights of the Company or any of the Retained Subsidiaries to use, disclose or otherwise freely deal with any Intellectual Property Rights licensed hereunder and shall be subject to and limited by (x) all Contracts and obligations, entered into prior to the date on which the license in question was granted, in any way affecting the Company's ability to license the Intellectual Property Rights and (y) the provisions of applicable Law. Spinco agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party arising out of, relating to or resulting from the license of any Intellectual Property Rights to Spinco or any Spinco Company pursuant to the provisions of Section 6.7(a) above or any failure by Spinco or any Spinco Company to perform and abide by all obligations, restrictions, conditions and agreements applicable to the Intellectual Property Rights licensed to Spinco or any Spinco Company pursuant to the provisions of Section 6.7(a) above.

(d) Technical Services. During the period commencing after the Distribution Date and ending on the third anniversary thereof (and for successive periods of three years provided that Spinco notifies the Company in writing, no less than six months nor more than nine months prior to the end of the three-year period in question, of Spinco's intention to continue seeking the services set forth in this Section 6.7(d) during the following three-year period), and subject to existing commitments, obligations and availability, and upon reasonable notice, Parent and its Subsidiaries shall use their reasonable efforts to make available to Spinco and the Spinco Companies those personnel and facilities reasonably designated by Parent or the Company to provide such research and development, technological and technical consulting and support services and other similar consulting and support services (such services, the "Technical Services"), to the extent reasonably requested by Spinco or the Spinco Companies from time to time. The Technical Services shall be provided at a cost calculated in accordance with the "fully-allocated" cost (which shall include all direct and indirect expenses of Parent or the Company or any of their respective Subsidiaries or any other entity which is providing the Technical Services in question, and which shall be allocated in a manner consistent with the Parent's or the Company's past practices (as the case may be) with respect to the allocation of costs to its Subsidiaries. Following the end of the calendar month in which any such Technical Services are performed, the Company shall provide to Spinco or the Spinco Subsidiary in question an invoice (the "Technical Services Invoice") setting forth in summary detail the Technical Services which were provided during such calendar month and the appropriate cost thereof. Spinco or the Spinco Subsidiary in question shall pay to the Company in cash in a reasonably prompt manner following the delivery by the Company of a Technical Services Invoice, the amounts due with respect to the Technical Services reflected on such Technical Services Invoice. The parties hereto acknowledge and agree that (x) the specific terms and conditions of the Technical Services to be provided hereunder (to the extent not otherwise specified and to the extent not inconsistent with the provisions of this Section 6.7(d)) shall be on terms and conditions similar to those terms and conditions which may from time to time be extended generally by or to Parent to or from third parties with respect to similar services (except as

the parties may otherwise mutually agree) and (y) any Intellectual Property Rights created primarily in connection with the delivery of Technical Services to Spinco or the Spinco Subsidiary (as the case may be) shall be the property of Spinco or the Spinco Subsidiary (as the case may be); provided that Parent, the Company and each of their respective Affiliates are hereby granted a perpetual, fully paid-up, worldwide, non-exclusive license with respect to all such Intellectual Property Rights (provided further that neither Parent nor any of its Affiliates shall be permitted to sublicense or otherwise transfer any of the Intellectual Property Rights referred to in this Section 6.7(d) to any Person other than an Affiliate of such party). Notwithstanding anything to the contrary contained in this Section 6.7(d), SSL shall not be entitled to request or to receive, either directly or indirectly, any Technical Services or any Intellectual Property Rights relating thereto (nor may Spinco, nor any Affiliate of either Spinco or SSL, request or receive any such Technical Services or Intellectual Property Rights on behalf of SSL) unless and until SSL shall have entered into an unconditional release (which shall be in form and substance reasonably acceptable to Parent) in favor of Parent and its Affiliates with respect to any and all Liabilities relating to the SSL Lawsuit (provided that in the event that SSL delivers to Parent a release which satisfies the provisions of this sentence, Parent agrees to promptly deliver to SSL a similar release with respect to such SSL Lawsuit).

Section 6.8. No Restrictions on Post-Closing Competitive Activities. It is the explicit intent of each of the parties hereto that the provisions of this Agreement shall not include any non-competition or other similar restrictive arrangements with respect to the range of business activities which may be conducted by the parties hereto. Accordingly, each of the parties hereto acknowledges and agrees that nothing set forth in this Agreement shall be construed to create any explicit or implied restriction or other limitation on (a) the ability of any party hereto to engage in any business or other activity which competes with the business of any other party hereto, or (b) the ability of any party to engage in any specific line of business or engage in any business activity in any specific geographic area.

Section 6.9. CCD Lawsuit.

(a) The parties hereto acknowledge and agree that prior to the Distribution Date, the Company shall have complete and exclusive control and management over the CCD Lawsuit. On the Distribution Date, immediately prior to the Distribution, Spinco shall acquire an interest in the CCD lawsuit pursuant to the transfers set forth in Section 2.1(a)(viii), which transfers shall be effected by the Company and its Subsidiaries, with the consent of Parent (which shall not be unreasonably withheld), entering into any agreements or stipulations, including, but not limited to, an assignment of the action to Spinco, as may reasonably be required to (i) grant to Spinco complete and exclusive control and management of the CCD Lawsuit (including, but not limited to, the prosecution, defense or settlement of such action) and (ii) grant to Spinco the exclusive right to any and all proceeds or awards resulting or derived from the CCD Lawsuit; provided that Spinco shall pay all fees and expenses relating to the CCD Lawsuit and Spinco hereby agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party with respect to the CCD Lawsuit (including, without limitation, with respect to any countersuit relating thereto). The Company agrees that it shall provide reasonable cooperation to Spinco in connection with the CCD Lawsuit, including, but not limited to, reasonable access to such books, records and employees of the Company as may be reasonably necessary in order for Spinco to prosecute or defend the CCD Lawsuit or any other Action related thereto.

(b) Notwithstanding anything to the contrary contained in this Section 6.9, Spinco shall not, without the prior written consent of Parent, consent to any settlement which (A) imposes any Liabilities on Parent (other than those Liabilities which Spinco agrees to promptly pay or discharge), and (B) with respect to any non-monetary provision of such settlement, would be likely, in Parent's reasonable judgment, to have an adverse effect on the business operations, assets, properties or prospects of Parent, the Company or the Retained Business. Nothing in this Section 6.9 shall be construed in any manner to vitiate any of the collective

rights of the Company, the Retained Subsidiaries and Spinco under the CCD Lawsuit and the rights being asserted thereunder in relation to any third party, and the parties hereto shall take all reasonable actions necessary to ensure the foregoing.

ARTICLE VII

ACCESS TO INFORMATION AND SERVICES

Section 7.1. Provision of Corporate Records. Except as provided in the following sentence, on the Distribution Date, the Company shall deliver to Spinco all corporate books and records (including all active agreements, active litigation files and government filings) which are corporate records of Spinco or any of the Spinco Companies and which relate primarily to the Spinco Assets, the Spinco Business or the Spinco Liabilities, including, without limitation, original corporate minute books, stock ledgers and certificates and corporate seals of each corporation the capital stock of which is included in the Spinco Assets. Notwithstanding the foregoing, the Company shall have the right to retain the original copies of any such documents which also relate to the Retained Assets, the Retained Business or the Retained Liabilities, provided that it provides Spinco with copies of, and reasonable access to, such materials after the Distribution Date. Also on the Distribution Date, the Company shall provide to Spinco lists of trademarks, patents, copyrights and other intellectual property set forth in clause (iii) of the definition of "Assets" herein included in the Spinco Assets.

Section 7.2. Access to Information. Subject to the confidentiality provisions of Section 7.5 hereof, from and after the Distribution Date (i) Spinco shall afford to the Company and its authorized accountants, counsel and other designated representatives reasonable access (including, without limitation, using reasonable efforts to give access to persons or firms possessing Information (as defined below)) and duplicating rights during normal business hours to all records, books, contracts, instruments, computer data and other data and information (collectively, "Information") within Spinco's possession relating to the Spinco Assets, the Spinco Business and the Spinco Liabilities, insofar as such

access is reasonably required by the Company, and (ii) the Company shall afford to Spinco and its authorized accountants, counsel and other designated representatives reasonable access (including, without limitation, using reasonable efforts to give access to persons or firms possessing Information) and duplicating rights during normal business hours to all Information within the Company's possession relating to the Retained Assets, the Retained Business and the Retained Liabilities, insofar as such access is reasonably required by Spinco. Information may be requested under this Article VII for, without limitation, audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations.

Section 7.3. Production of Witnesses. From and after the Distribution Date, each party shall use reasonable efforts to make available to the other party, upon written request, its officers, directors, employees and agents as witnesses to the extent that any such person may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting party may from time to time be involved.

Section 7.4. Retention of Records. Except as otherwise required by Law or agreed to in writing, Spinco and the Company shall each retain, for a period of at least seven years following the Distribution Date, all significant Information relating to (i) in the case of the Company, the Spinco Business and (ii) in the case of Spinco, the Retained Business. Notwithstanding the foregoing, either Spinco or the Company may destroy or otherwise dispose of any of such Information at any time, provided that, prior to such destruction or disposal, (a) Spinco or the Company, as the case may be, shall provide no less than 90 or more than 120 days' prior written notice to the other party, specifying the Information proposed to be destroyed or disposed of and (b) if the other party shall request in writing prior to the scheduled date for such destruction or disposal that any of the Information proposed to be destroyed or disposed of be delivered to the other party, Spinco or the Company, as the case may be, shall promptly arrange for the delivery of such of the Information as was requested, at the expense of the other party.

Section 7.5. Confidentiality.

(a) Each party shall hold, and shall cause its officers, employees, agents, consultants and advisors to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or, in the reasonable opinion of its counsel, by other requirements of Law, all confidential, proprietary or other non-public information or trade secrets concerning the other party (or such other party's business operations or the business operations of such other party's Affiliates) which is furnished it by such other party or its representatives pursuant to either the Merger Agreement, this Agreement or the Confidentiality Agreement (collectively, the "Confidential Information"). None of the parties hereto nor any of their respective Affiliates shall use for their own benefit or purposes, or release or disclose to any other person or entity, any such Confidential Information (except, to the extent reasonably required, for disclosure to those of such party's auditors, attorneys and other representatives who agree to be bound by the provisions of this Section 7.5). Notwithstanding the foregoing, in the event any party hereto is requested to disclose any Confidential Information to any third party pursuant to any judicial or administrative process or, in the reasonable opinion of its counsel, any other requirements of Law, the party from whom such disclosure is sought shall (x) notify the other parties hereto as soon as reasonably practicable of such request for disclosure, (y) disclose only that portion of the Confidential Information which it reasonably believes, following the advice of counsel, is necessary in order to comply with such judicial or administrative process or other requirements of Law, and (z) cooperate with the other parties hereto in seeking to narrow the scope of any such third party request for disclosure).

(b) Notwithstanding the foregoing, the term "Confidential Information" shall not include information (a) which is or becomes generally available to the public other than as a result of disclosure of such information by the disclosing party or any of its Affiliates or representatives, (b) becomes available to the recipient of such information on a non-confidential basis from a source which is not, to the recipient's knowledge, bound by a confidentiality or other similar agreement, or by any other legal, contractual or fiduciary obligation

which prohibits disclosure of such information to the other party hereto, or (c) which can be demonstrated to have been developed independently by the representatives of such recipient which representatives have not had any access to any information which would otherwise be deemed to be "Confidential Information" pursuant to the provisions of this Section 7.5.

ARTICLE VIII

EMPLOYEE MATTERS

Section 8.1. Officers and Employees. Except as otherwise specified by Spinco prior to the Offer Purchase Date, the executive officers of the Company shall be the executive officers of Spinco on and after the Distribution Date. Effective as of the Distribution Date, (a) those Retained Employees who are employed by the Company or any of its subsidiaries immediately prior to the Distribution Date shall become employees of the Company in the same capacities as then held by such employees (or in such other capacities as the Company shall determine in its sole discretion) and (b) those Spinco Employees, together with those persons whose primary employment is with the Spinco Business, who are employed by the Company or any of its subsidiaries immediately prior to the Distribution Date shall become employees of Spinco in the same capacities as then held by such employees (or in such other capacities as Spinco shall determine in its sole discretion).

Section 8.2. Employee Benefits.

(a) As soon as practicable after, and in any event within 90 days after, and effective as of, the Distribution Date, Spinco shall establish a defined benefit pension plan and trust intended to qualify under Section 401(a) and Section 501(a) of the Code (the "Spinco Pension Plan"). The Company shall, within 180 days following the Distribution Date, but in no event prior to the receipt by the Company of written evidence of the adoption of the Spinco Pension Plan and the trust thereunder by Spinco and either (A) the receipt by the Company of a copy of a favorable determination letter issued by the IRS with respect to the Spinco Pension Plan or (B) an opinion, satisfactory to the Company's counsel,

of Spinco's counsel to the effect that the terms of the Spinco Pension Plan and its related trust qualify under Section 401(a) and Section 501(a) of the Code, direct the Trustees of the Loral Corporation Pension Plan and the Retirement Plan of Loral Aerospace Corp. (the "Company Pension Plans") to transfer in cash or in kind, as agreed to by the Company and Spinco, from the trusts under the Company Pension Plans to the trust under the Spinco Pension Plan, an amount determined by the certified actuary of the Company Pension Plans (the "Company Actuary") which shall be equal to, with respect to each such Company Pension Plan, (A) the product of (i) the fair market value of the assets held under such Company Pension Plan as of the last day of the month prior to the month in which the transfer occurs (the "Valuation Date") and (ii) a fraction, the numerator of which is equal to the present value of all accrued benefits under such Company Pension Plan as of the Distribution Date in respect of Spinco Employees and the denominator of which is equal to the present value of all accrued benefits under such Company Pension Plan less (B) the payments made by such Company Pension Plan between the Distribution Date and the date of transfer in respect of Spinco Employees. From the Valuation Date to the date of transfer, the assets to be transferred will be credited with interest at the interest rate available on a 30-day treasury note at the auction date on or immediately preceding the Valuation Date.

The calculation of the present value of such benefits shall be in accordance with Section 414(1) of the Code and the regulations promulgated thereunder and in all cases utilizing the assumptions used by the Company for reporting accrued benefit obligations under FAS No. 87 in its 1995 Annual Report. For purposes of this calculation, the present value of accrued benefits shall be determined on a termination basis in accordance with the standards of Section 414(l) of the Code. The determination by the Company Actuary shall be final and binding, provided, however, that the Company Actuary shall provide the actuary selected by Spinco with all the documentation reasonably necessary for Spinco to verify such determination; provided, further, that if the Spinco actuary certifies, in writing within 60 days of receiving such supporting documentation, that he disagrees with the Company Actuary then, first the chief financial officers of the Company and Spinco shall negotiate, in good faith,

to resolve such dispute, and if unable to come to an agreement, then the Company and Spinco shall agree upon and engage an impartial actuary, who shall be entitled to the privileges and immunities of an arbitrator, to resolve any disagreement and whose determination as to any such disagreement (if not contrary to ERISA) shall be conclusive, final and binding. The parties shall share equally all costs and fees of such impartial actuary. At the time of transfer of the amount set forth in this Section 8.2, Spinco and the Spinco Pension Plan shall assume all liabilities for all accrued benefits under the Company Pension Plans in respect of Spinco Employees and each of the Company and the Company Pension Plans shall be relieved of all liabilities for such benefits. As soon as practicable after, and in any event within 90 days after, and effective as of, the Distribution Date, Spinco shall cause SSL to establish a trust intended to qualify under Section 501(a) of the Code ("Spinco SSL Trust") and intended to hold the assets of the Retirement Plan of SSL (the "SSL Plan"). The Company shall, within 180 days following the Distribution Date, but in no event prior to the receipt by the Company of written evidence of the adoption of the Spinco SSL Trust, direct the Trustees of the Loral Master Pension Trust (the "Master Trust") to transfer in cash or in kind as agreed to by SSL and the Company from the Master Trust to the Spinco SSL Trust, the assets held by the Master Trust under the SSL Plan. Upon the transfer of assets in accordance with this Section 8.2(a), Spinco agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and affiliates from and against any and all Indemnifiable Losses arising out of or related to the Spinco Pension Plan and the SSL Plan, including all benefits accrued by Spinco Employees prior to the Distribution Date under the Company Pension Plans and the SSL Plan. Spinco and the Company shall provide each other with such records and information as may be necessary or appropriate to carry out their obligations under this Section or for the purposes of administration of the Spinco Pension Plan and the SSL Plan, and they shall cooperate in the filing of documents required by the transfer of assets and liabilities described herein. Notwithstanding anything contained herein to the contrary, no such transfer shall take place until the 31st day following the filing of all required Forms 5310-A in connection therewith.

(b) Individual Account Plan. As soon as practicable after the Distribution Date, but in no event later than 90 days after the Distribution Date, Spinco shall establish a defined contribution plan and trust intended to qualify under Section 401(a) and Section 501(a) of the Code (the "Spinco Savings Plan"). The Company shall, within 180 days following the Distribution Date, but in no event prior to the receipt by the Company of written evidence of the adoption of the Spinco Savings Plan and the trust thereunder by Spinco and either (A) the receipt by the Company of a copy of a favorable determination letter issued by the IRS with respect to the Spinco Savings Plan or (B) an opinion, satisfactory to the Company's counsel, of Spinco's counsel to the effect that the terms of the Spinco Savings Plan and its related trust qualify under Section 401(a) and Section 501(a) of the Code, direct the trustee of the Loral Master Savings Plan and the Loral Aerospace Savings Plan (the "Company Savings Plans") to transfer to the trustee of the Spinco Savings Plan the account balances under the Company Savings Plans as of the date of transfer in respect of Spinco Employees in cash or in kind, as agreed to by the Company and Spinco; provided, however, all outstanding loans shall be transferred in kind. Upon such transfer, the Spinco Savings Plan shall assume all liabilities for all accrued benefits under the Company Savings Plans in respect of Spinco Employees that are transferred to the Spinco Savings Plan and the Company Savings Plans shall be relieved of all liabilities for such accrued benefits. The Company and Spinco shall cooperate in the filing of documents required by the transfer of assets and liabilities described herein. Notwithstanding anything contained herein to the contrary, no such transfer shall take place until the 31st day following the filing of all required Forms 5310-A in connection therewith. Upon the transfer of assets in accordance with this section 8.2(b), Spinco agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and affiliates from and against any and all Indemnifiable Losses arising out of or relating to the Spinco Savings Plan, including all benefits accrued by Spinco Employees prior to the Distribution Date.

(c) Welfare Benefit Plans. As of the Distribution Date, Spinco Employees shall cease to participate in the employee welfare benefit plans (as such term

in defined in ERISA) maintained or sponsored by the Company (the "Prior Welfare Plans") and shall commence to participate in welfare benefit plans of Spinco (the "Replacement Welfare Plans") which Replacement Welfare Plans shall, in the case of any such plan that is subject to the requirements of Section 4980B of the Code, provide for substantially identical benefits on substantially identical terms and conditions that were provided by Prior Welfare Plans immediately prior to the Distribution Date. Spinco will, (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to participation and coverage requirements applicable to Spinco Employees under the Replacement Welfare Plans, other than limitations or waiting periods that were in effect with respect to such employees under the Prior Welfare Plans and that have not been satisfied as of the Distribution Date, and (ii) provide each Spinco Employee with credit for any co-payments and deductibles paid prior to the Distribution Date in satisfying any deductible or out-of-pocket requirements under the Replacement Welfare Plans. After the Distribution Date, Spinco shall be responsible for any claims by Spinco Employees for benefits relating to claims incurred but not reported prior to the Distribution Date. The Company shall use its best efforts to ensure that, except as provided otherwise in the Merger Agreement or Distribution Agreement, the consummation of the transactions contemplated by this Distribution Agreement shall not entitle any employee to severance benefits under any severance plan or arrangement of the Company or any of its Subsidiaries.

(d) Collective Bargaining Agreements. As of the Distribution Date, with respect to those collective bargaining agreements to which the Company or any of its Affiliates is a party and which cover Spinco Employees, Spinco shall assume all liabilities and obligations of the Company and each of its Affiliates thereunder, but only to the extent that such liabilities and obligations relate to any Spinco Employees.

(e) Certain Liabilities. Spinco hereby agrees to indemnify the Company and its Affiliates against, and agrees to hold them harmless from any and all Indemnifiable Losses incurred or suffered as a result of any claim by any Spinco Employee which arises under federal, state or local statute (including, without

limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974 and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and the Spinco Employee, whether arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to, or after, the Distribution Date. The Company hereby agrees to indemnify Spinco and its Affiliates against, and agrees to hold it harmless from any and all Indemnifiable Losses incurred or suffered as a result of any claim by any Retained Employee which arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974 and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and the Retained Employee, whether arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to, or after, the Distribution Date. The indemnification provided for in this Section 8.2 shall be subject to the terms and conditions of the indemnification provisions of Article V hereof.

(f) As of the Distribution Date, with respect to any employee liabilities or obligations arising under the Company's (i) split dollar life insurance arrangements with certain executives, (ii) the Loral Supplemental Executive Retirement Plan (the "SERP"), and (iii) retiree welfare plans (including retiree medical plans), (all such liabilities in (i), (ii) and (iii), "Enumerated Liabilities"):

(A) On or prior to the Distribution Date, the Company shall establish one or

more grantor rabbi trusts (the "SERP Trust") of which the participants in the SERP shall be the beneficiaries and shall contribute to such trust an amount equal to the present value of all accrued benefits under the SERP as of the Distribution Date (the parties hereto acknowledge that such amount shall not exceed $11 million).

(B) The Company shall retain and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all Enumerated Liabilities with respect to Retained Employees and shall retain any assets relating to such liabilities.

(C) Spinco shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all Enumerated Liabilities with respect to Spinco Employees and the Company shall transfer, or allocate, as applicable, to Spinco as soon as practicable following the Distribution Date any assets relating to such liabilities. The assets held in the SERP Trust shall be allocated, to the extent practicable, in accordance with the principles set forth in Section 8.2(a).

Section 8.3. Other Liabilities and Obligations. As of the Distribution Date, with respect to claims relating to any employee liability or obligation not otherwise provided for in this Agreement or the Merger Agreement, including, without limitation, accrued holiday, vacation and sick day benefits, (a) the Company shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all such claims made by Retained Employees and (b) Spinco shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all such claims made by all Spinco Employees. Notwithstanding the foregoing, wages and salary accrued prior to the Distribution Date in respect of

Spinco New York Employees and deferred directors' fees shall be the sole responsibility of the Retained Business.

Section 8.4. Preservation of Rights to Amend or Terminate Plans. No provision of this Agreement, shall be construed as a limitation on the right of the Company or Spinco to amend any plan or terminate its participation therein which the Company or Spinco would otherwise have under the terms of such plan or otherwise, and no provision of this Agreement shall be construed to create a right in any employee or beneficiary of such employee under a plan that such employee or beneficiary would not otherwise have under the terms of such plan itself.

Section 8.5. Reimbursement; Indemnification. Spinco and the Company acknowledge that the Company, on the one hand, and Spinco, on the other hand, may incur costs and expenses (including, without limitation, contributions to plans and the payment of insurance premiums) pursuant to any of the employee benefit or compensation plans, programs or arrangements which are, as set forth in this Agreement, the responsibility of the other party. Accordingly, the Company and Spinco agree to reimburse each other, as soon as practicable but in any event within 30 days of receipt from the other party of appropriate verification, for all such costs and expenses reduced by the amount of any tax reduction or recovery of tax benefit realized by the Company or Spinco, as the case may be, in respect of the corresponding payment made by it. All Liabilities retained, assumed or indemnified by Spinco pursuant to this Article VIII shall in each case be deemed to be Spinco Liabilities, and all Liabilities retained, assumed or indemnified by the Company pursuant to this Article VIII shall in each case be deemed to be Retained Liabilities, and, in each case, shall be subject to the indemnification provisions set forth in Article V hereof.

Section 8.6 Actions By Spinco. Any action required to be taken under this Article VIII may be taken by a Subsidiary of Spinco, the Spinco Companies, or a Subsidiary of the Spinco Companies.

ARTICLE IX

INSURANCE

Section 9.1. General. Except as otherwise agreed in writing between the parties, the Company shall maintain until the Distribution Date all policies of liability, fire, extended coverage, fidelity, fiduciary, workers' compensation and other forms of insurance in effect as of the date hereof insuring the products, properties, Assets and operations contemplated to be transferred to Spinco and each of the Spinco Companies.

Section 9.2. Certain Insured Claims. The Company shall (a) use reasonable efforts, upon Spinco's written request and at Spinco's sole expense, to continue to maintain and renew for the benefit of Spinco and each of the Spinco Companies the insurance policies under the Casualty Program with respect to claims having an occurrence date (as the term "occurrence date" is customarily defined) prior to the Distribution Date, relating to, or arising out of the conduct of, the Spinco Business, the Spinco Assets or the Spinco Liabilities, and (b) use reasonable efforts and cooperate with Spinco, upon Spinco's written request and at Spinco's sole expense, to obtain coverage, recoveries and other benefits under such policies for the benefit of Spinco and each of the Spinco Companies, including, without limitation, by filing and pursuing claims with respect to obtaining such coverage, recoveries and other benefits; provided that in no event shall the Company be obligated to litigate or pursue any other extra-contractual remedies against any insurer; provided further that all claims pursuant to this Section 9.2 shall be submitted, investigated, processed and paid in accordance with the claims handling procedures used by the Company and its Affiliates from time to time with respect to other like claims. The Company will reimburse Spinco and each of the Spinco Companies for any recovery obtained by it pursuant to such claims. The Company shall make available to Spinco such of its employees as Spinco may reasonably request as witnesses or deponents in connection with Spinco's pursuit of claims.

ARTICLE X
CONDITIONS; TERMINATION; AMENDMENTS; WAIVERS

Section 10.1. Condition to Restructuring and Distribution.

(a) The obligations of each of the Company, Holdings, Aerospace LGP, LG, Cayman and Spinco to effect the Restructuring and the Distribution (other than those obligations which are normally expected to precede the Restructuring or the Distribution) shall be subject to the satisfaction of the following conditions: (i) the Purchaser shall have notified the Company that it is prepared to immediately accept for payment shares of Company Common Stock pursuant to the terms and conditions of the Offer as set forth in the Merger Agreement, (ii) the Record Date shall have been set by the Company's Board of Directors, (iii) the Form 10 (or the registration statement referred to in Section 3.1(a) hereof) shall have been declared effective by the SEC, (iv) the Spinco Common Stock shall have been accepted for listing or quotation in accordance with Section 3.1(e) hereof, (v) no Court Order or Law shall have been enacted, promulgated, issued or entered against any of the parties hereto which (x) prohibits or materially restricts consummation of any of the transactions contemplated by this Agreement and (y) remains in effect as of the date on which the satisfaction of this condition is determined, (vi) the Company and the Retained Subsidiaries (other than Spinco and the Spinco Companies) shall have obtained all consents required to be obtained by the Company as a result of or in connection with the transactions contemplated by this Agreement in order to avoid a material Default under any material Contract to or by which the Company, Spinco or any of their respective Subsidiaries is a party or may be bound, or otherwise necessary to permit the Company and each of the Retained Subsidiaries to conduct their business in a manner consistent with its past practices, (vii) all consents and approvals of, and notices to and filings with, any Governmental Entity or any other person or entity arising out of or relating to the consummation of the transactions contemplated by this Agreement, shall have been obtained or made (as the case may be), (viii) the Globalstar Bank Guarantee shall have been amended pursuant to Section 2.5 hereof so that the provisions

thereof shall, following the Restructuring, be amended in the manner contemplated by Section 2.5 hereof (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date), and (ix) the Lehman Partnerships and all other holders of the Lehman Preferred Stock (if any) shall have exchanged all issued and outstanding shares of Lehman Preferred Stock for shares of capital stock or other equity securities of either Spinco, any Spinco Company or any Subsidiary of Spinco pursuant to Section 2.7 hereof.

(b) The parties hereto acknowledge and agree that (x) Parent may waive, on behalf of all parties hereto, the conditions set forth in clauses (viii) and (ix) of Section 10.1(a) above, (y) Parent may waive, on behalf of all parties hereto, the condition set forth in clauses (v), (vi) and (vii) of Section 10.1(a) above so long as (1) Parent reasonably believes that consummation of the Distribution at such time will have no material adverse effect on Spinco or the Spinco Business and (2) Parent agrees to indemnify Spinco pursuant to the provisions of Article V hereof with respect to any Indemnifiable Losses which result from any material adverse effect on Spinco or the Spinco Business which results directly from such waiver, and (z) the Company may not waive any of the conditions set forth in Sections 10.1(a)(i) through 10.1(a)(ix) above without first obtaining the prior written consent of Parent (which may not be unreasonably withheld). In the event that all of the Distribution Conditions have been satisfied (or waived, to the extent expressly permitted by the provisions of the preceding sentence), the Company, Holdings, Aerospace and Spinco shall consummate the Restructuring and the Distribution, and all other transactions related thereto, on the date on the date on which such Distribution Conditions have been so satisfied or waived (or as soon as practicable following such date in the event that such parties are unable to consummate the Restructuring and the Distribution, and all other transactions related thereto, on such date). The respective obligations of each party hereto to perform those of its obligations which are to be performed following consummation of the Restructuring and the Distribution, shall be conditioned on the consummation of the Restructuring and the Distribution in accordance with the provisions of this Agreement.

Section 10.2. Termination. This Agreement (i) may be terminated and the Distribution abandoned at any time prior to the Offer Purchase Date by the mutual written agreement of each of the parties hereto or (ii) shall be terminated automatically and the Distribution abandoned upon any termination of the Merger Agreement in accordance with the terms and conditions thereof. In the event that this Agreement shall be terminated pursuant to this Section 10.2, all obligations of the parties hereto under this Agreement shall terminate without further liability or obligation of any party hereto to the other parties hereto under this Agreement or otherwise, except (i) for any breach by such party of the terms and provisions of this Agreement prior to the date of such termination and (ii) as stated in Section 11.3 hereof.

Section 10.3. Amendments; Waivers. This Agreement may be amended, modified or supplemented only by written agreement of each of the parties hereto. Any term or provision of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument executed by such party. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants, agreements or conditions contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Survival of Indemnities; Release. The representations and warranties made in Section 6.1 of this Agreement shall survive for a period of three years from the Distribution Date, but shall not survive any termination of this Agreement; provided that

claims with respect to breaches of covenants and agreements set forth in this Agreement shall survive for the applicable statute of limitations period. Except as otherwise expressly provided in this Agreement (including, without limitation, the indemnification provisions of Article V hereof), each of the parties (a) agrees that no claims or causes of action may be brought against the Company, Holdings, Aerospace, Spinco, Parent or the Purchaser or any of their Affiliates, agents or representatives based upon, directly or indirectly, any of the representations and warranties contained in this Agreement after three years following the Distribution Date (other than causes of actions commenced after such three-year period to seek recourse for claims asserted during such three-year period that are not resolved by the parties), and (b) hereby waives and releases all other claims and causes of action, that may be asserted or brought against the Company, Holdings, Aerospace, Spinco, Parent or the Purchaser or any of their Affiliates, agents or representatives directly or indirectly based upon or arising under this Agreement or the Merger Agreement, or the transactions contemplated hereby or thereby. Notwithstanding the foregoing, this Section 11.1 shall not limit any covenant or agreement of the parties in this Agreement, the Merger Agreement, the Tax Sharing Agreement or the Stockholders Agreement which contemplates performance after the Distribution Date (including, without limitation, the covenants and agreements set forth in Sections 2.1(b) and 6.2 hereof), except for the covenants and agreements in the Merger Agreement to the extent of their performance prior to the Distribution Date.

Section 11.2. Entire Agreement. This Agreement (including the schedules and exhibits and the agreements and other documents referred to herein, including, without limitation, the Merger Agreement, the Tax Sharing Agreement and the Stockholders Agreement) 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 (including, without limitation, the provisions of the Confidentiality Agreement).

Section 11.3. Fees and Expenses. Except as otherwise provided in this Agreement, the Merger Agreement, the Tax Sharing Agreement or the Stockholders Agreement, and subject to the proviso below, all costs and expenses incurred by the Company and each of the Retained Subsidiaries and by Spinco in connection with (x) the preparation, execution and delivery of this Agreement, the Merger Agreement, the Tax Sharing Agreement and the Stockholders Agreement and (y) consummating such party's obligations hereunder and thereunder (including, without limitation, investment banking, legal, accounting, audit and printing costs and expenses), shall be paid by the Company, upon the submission to the Company of appropriate documentation detailing such costs and expenses); provided that the investment banking costs and expenses incurred by the Company (including any legal or other costs and expenses but excluding any indemnification-related costs and expenses) incurred by the Company relating to the provision of such investment banking services) in connection with the transactions contemplated by this Agreement and the Merger Agreement which exceed $12,000,000 (such excess amount of such investment banking costs and expenses, the "Spinco Excess Costs"), shall not be considered to be expenses of the Company, but shall be deemed to be Spinco Liabilities and shall be paid by Spinco on or promptly after the Distribution Date.

Section 11.4. 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.

Section 11.5. 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 the Company, or Aerospace, to:

Loral Corporation
600 Third Avenue
New York, NY 10016
Telephone: (212) 697-1105
Telecopy No.: (212) 602-9805
Attention: General Counsel

with a copy to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethedsa, 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.

(b) If to Spinco, to:

Loral Space & Communications Corporation
600 Third Avenue
New York, New York 10016
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.

Section 11.6. Successors and Assigns; 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. Notwithstanding the foregoing, Spinco shall be permitted to assign its rights and obligations under this Agreement to one of its Affiliates (the "Spinco Transferee") prior to the Record Date so long as (x) such assignment shall not relieve Spinco from its joint responsibility therefor and (y) such assignment does not adversely affect any of the rights, benefits or obligations of Parent or any of the Parent Indemnified Parties under this Agreement or the Merger Agreement; provided that in the event of any such assignment to the Spinco Transferee, all references to Spinco shall be automatically deemed to be references to Spinco. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except for the provisions of Sections 8.1 hereof, 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, however, that the Indemnified Parties are intended to be third party beneficiaries of the provisions of Article V hereof, and shall have the right to enforce such provisions as if they were parties hereto.

Section 11.7. 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 11.8. 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.

Section 11.9. Schedules. The Disclosure Schedule shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

Section 11.10. 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.

Section 11.11. 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 Southern District of New York, or, if such court will not accept jurisdiction, in any court of competent civil jurisdiction sitting in New York City, New York, (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 11.5 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 11.11 shall affect the right of any party to serve process, pleadings, notices or other papers in any other manner permitted by applicable Law.

Section 11.12. 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 11.11 hereof.

IN WITNESS WHEREOF, each of the parties has caused this Restructuring, Financing and Distribution 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

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Senior Vice President and Secretary

LORAL AEROSPACE HOLDINGS, INC.

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Senior Vice President

LORAL AEROSPACE CORP.

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Senior Vice President

LORAL TELECOMMUNICATIONS ACQUISITION, INC.

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Senior Vice President and Secretary

LOCKHEED MARTIN CORPORATION

/s/ MARCUS C. BENNETT
By:_____
Name: Marcus C. Bennett
Title: Senior Vice President

LORAL GLOBALSTAR LIMITED

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Senior Vice President

LORAL GENERAL PARTNER, INC.

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Vice President

LORAL GLOBALSTAR, L.P.

/s/ MICHAEL B. TARGOFF
By:_____
Name: Michael B. Targoff
Title: Senior Vice President
and Secretary

Exhibit A

Form of Stockholders Agreement dated as of , 1996 by and among Loral Corporation and Loral Space & Communications Corporation -- Filed as Exhibit C(4) to the Tender Offer Statement on Schedule 14D-1 dated January 12, 1996.

EXHIBIT A-1

GLOBALSTAR WARRANT - SUMMARY TERM SHEET - PRINCIPAL TERMS

Reference is hereby made to (x) the Restructuring, Financing and Distribution Agreement dated as of January 8, 1996 (the "Restructuring Agreement") among Lockheed Martin Corporation, Loral Corporation, Spinco and the other parties thereto, and (y) the Globalstar Warrant Memorandum (as defined in the Restructuring Agreement). All capitalized terms which are not otherwise defined herein shall have the meanings ascribed to such terms in the Restructuring Agreement.

Issuer: Globalstar Telecommunications Limited or, if not available, Globalstar L.P. (the "Company").

Issued To: Guarantors

No. of Shares: As set forth in the Globalstar Warrant Memorandum, subject to adjustment based on the antidilution provisions described below. (If issuer is Globalstar L.P., the term "shares" will refer to L.P. interests.)

Warrant Exercise Price: As set forth in the Globalstar Warrant Memorandum, subject to adjustment based on the antidilution provisions described below.

Acceleration of Vesting: In the event the Company merges with or into another company (unless the warrants continue to represent the rights to purchase equity in the surviving company on the same terms, except for equitable adjustment of price and number of shares purchasable), sells all or substantially all of its assets, liquidates, etc., the Company must give notice to the holder prior to the consummation of the transaction and must give the holder the option of exercising the warrant prior to consummation of such transaction.

Antidilution Events:

- Stock Splits, Recaps, etc. - will result in increased number of Warrant Shares (unless reverse split, etc.)

- Rights, Options, Warrants, Convertible Securities - will result in increased number of Warrant Shares pursuant to a prescribed formula, but only to the extent that such shares, rights, options, warrants or convertible securities are issued or distributed generally to all holders of the Common Stock.

- Issuance of Common Stock at Lower Values - if shares are issued below the then current fair market value of such shares, adjustment will be made on a proportionate basis pursuant to a prescribed formula, but only to the extent that such shares, rights, options, warrants or

convertible securities are issued or distributed generally to all holders of the Common Stock.

- Extraordinary Distributions/Stock Dividends -extraordinary cash dividends (over 10% of current market value on record date), distributions of properties, assets, etc. in partial liquidation and stock dividends will result in adjustment.

- Distributions of Debt - Warrant Shares subject to adjustment in accordance with a prescribed formula.

- Distributions includes repurchases and redemptions.

Registration Rights on Warrant Shares: Customary

EXHIBIT B

WF&G Draft
1/8/96

CERTIFICATE OF DESIGNATION

OF

SERIES A NON-VOTING CONVERTIBLE PREFERRED STOCK

OF

LORAL TELECOMMUNICATIONS ACQUISITION, INC.

Pursuant to Section 151(g) of the
General Corporation Law of the State of Delaware

The undersigned, Senior Vice President of Loral Telecommunications Acquisition, Inc., a Delaware corporation (the "Corporation"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, hereby certifies that pursuant to authority vested in the Board of Directors of the Corporation by the provisions of its Certificate of Incorporation, the Board of Directors has duly adopted the following resolution creating a series of Preferred Stock of the Corporation designated as the Series A Non-Voting Convertible Preferred Stock:

WHEREAS, the Certificate of Incorporation of the Corporation authorizes _____ shares of capital stock, of which 1,000 shares are authorized as Common Stock, $.01 par value per share ("Common Stock"), and _____ shares are authorized as Preferred Stock, $.01 par value per share ("Preferred Stock"); and

WHEREAS, the Certificate of Incorporation of the Corporation authorizes the Board of Directors to provide for the issuance of shares of Preferred Stock in series and to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof;

NOW, THEREFORE, BE IT RESOLVED, that, pursuant to the Certificate of Incorporation, the Board of Directors hereby fixes the designation and preferences and relative rights, qualifications, limitations and restrictions of a series of Preferred Stock.

RESOLVED, that each share of Preferred Stock described herein shall rank equally in all respects and shall be subject to the following provisions:

(1) Number and Designation. _____ shares of Preferred Stock of the Corporation shall be designated as Series

A Non-Voting Convertible Preferred Stock (the "Series A Preferred Stock").

(2) Dividends and Distributions. (a) Subject to paragraphs (2)(b) and (4) below, the Corporation shall pay, and the holders of shares of Series A Preferred Stock shall be entitled to receive, and to share equally and ratably, share for share with the Common Stock, in such dividends and distributions on the Common Stock or the Series A Preferred Stock as may be declared from time to time by the Board of Directors, whether payable in cash, property or securities of the Corporation. The record date for determining the holders of Series A Preferred Stock entitled to receive dividends and distributions shall be the same as the record date for determining the holders of Common Stock entitled to receive dividends and distributions. Dividends and distributions shall be paid to the holders of Series A Preferred Stock 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 Corporation in respect of the Common Stock.

(b) In the event that the Corporation declares and pays a dividend or makes any distribution on its Common Stock in the form of (x) shares of additional Common Stock, (y) options, warrants or rights to acquire Common Stock or (z) other securities of the Corporation convertible into or exchangeable for Common Stock, the holders of the Series A Preferred Stock shall receive in lieu of such securities: (1) an equal number of shares of additional Series A Preferred Stock, in the case of clause (x) above; (2) options, warrants or rights to acquire an equal number of additional shares of Series A Preferred Stock on terms otherwise identical to such options, warrants or rights distributed to the holders of Common Stock, in the case of clause (y) above; and (3) securities convertible into or exchangeable for an equal number of shares of Series A Preferred Stock on terms otherwise identical to the convertible or exchangeable securities distributed to the holders of Common Stock, in the case of clause (z) above.

(c) All dividends or distributions paid with respect to shares of the Series A Preferred Stock shall be paid pro rata to the holders entitled thereto.

(d) Each fractional share of Series A Preferred Stock outstanding shall be entitled to a ratable proportionate amount of all dividends and other distributions accruing, paid or made with respect to each outstanding share of Series A Preferred Stock 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 paragraphs (2)(a), (2)(b) and (4) hereof with respect to dividends and other distributions on each outstanding share of Series A Preferred Stock.

(3) Voting Rights. (a) Except as otherwise set forth herein and as otherwise provided by law, the holders of the Series A Preferred Stock shall not be entitled to vote on any matter relating to the business or affairs of the Corporation and shall not be included in determining the number of Shares voting or entitled to vote on any such matters.

(b) Notwithstanding the foregoing, each issued and outstanding share of Series A Preferred Stock shall be entitled to one vote for each share of Common Stock into which such share of Series A Preferred Stock is convertible, and shall be included as aforesaid in the number of shares voting and entitled to vote with respect to the following matters presented to the stockholders of the Corporation for their action or consideration:

i) any amendment to or modification or repeal of any provision of the Corporation's Certificate of Incorporation or By-laws (or similar organizational documents);

ii) any merger, consolidation, corporate reorganization or similar transaction involving the Corporation;

iii) 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 Corporation or any of its Affiliates;

iv) any plan or proposal for the liquidation or dissolution of the Corporation or any assignment by the Corporation for the benefit of creditors, or any filing by the Corporation of a petition in bankruptcy; or

v) any restructuring, extension, modification, substitution, refinancing or amendment of any indebtedness of the Corporation.

Except as otherwise provided herein or by law, the holders of the Series A Preferred Stock shall vote together with the holders of the Common Stock as a single class.

(c) In addition to the voting rights set forth above, the consent of the holders of at least a majority of the shares of the Series A Preferred Stock at the time outstanding, voting together as a single class, shall be necessary for any amendment to the Certificate of Incorporation or By-laws of the Corporation, if such amendment would adversely affect the rights, powers, privileges or preferences of the Series A Preferred Stock.

(4) Rights on Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of the Series A Preferred Stock then outstanding shall be entitled

to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Common Stock by reason of their ownership thereof, an amount equal to $.01 per share for each outstanding share of Series A Preferred Stock. If upon the occurrence of such event the assets thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amount, the entire assets of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock. After the payment or distribution to the holders of the Series A Preferred Stock of such preferential amount, the holders of the Series A Preferred Stock and the Common Stock then outstanding shall be entitled to receive ratably (based, in the case of the Series A Preferred Stock, on the number of shares of Common Stock into which such Series A Preferred Stock was last convertible) all remaining assets of the Corporation to be distributed.

(5) Conversion. (a) Each share of Series A Preferred Stock 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 Stockholders Agreement) of such share of Series A Preferred Stock to a Person other than a Stockholder or any Affiliate thereof, in the manner hereinafter provided, into one (subject to any adjustment required below) fully paid and nonassessable share of Common Stock; provided, however, that on any liquidation of the Corporation, 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 Stock.

(b) Each conversion of shares of Series A Preferred Stock into shares of Common Stock shall be effected by the prior written notice thereof by the holder of the Series A Preferred Stock and the surrender of the certificates representing the shares to be converted at the principal office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holders of the Series A Preferred Stock as shown on the books of the Corporation) 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 shares of Common Stock 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 holder of the surrendered Series A Preferred Stock as such holder shall cease, and the Person in whose name the certificates for shares of Common Stock will be issued upon such conversion shall be deemed to have become the holder of record of the Common Stock represented thereby.

(c) Promptly after the surrender of the certificates and the receipt of written notice, the Corporation shall issue and deliver in accordance with the surrendering holder's instructions (i) the certificates for the shares of Common Stock issuable upon such conversion and (ii) certificates representing any surrendered shares of Series A Preferred Stock which were delivered to the Corporation 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 Stock upon conversion of Series A Preferred Stock shall be made without charge to the holders of such shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Common Stock; provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Series A Preferred Stock being converted.

(e) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon the conversion of the Series A Preferred Stock, such number of shares of Common Stock issuable upon conversion of all outstanding Series A Preferred Stock. All shares of Common Stock 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 Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirement of any domestic securities exchange upon which shares of Common Stock may be listed (except for official notice of issuance which shall be immediately transmitted by the Corporation upon issuance).

(f) The Corporation shall not close its books against the transfer of shares of Series A Preferred Stock in any manner which would interfere with the timely conversion of any shares of Series A Preferred Stock. The Corporation shall assist and cooperate with any holder of Series A Preferred Stock required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of Series A Preferred Stock hereunder (including, without limitation, making any filings required to be made by the Corporation).

(6) Stock Splits; Adjustments. (a) If the Corporation shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of Common Stock, the outstanding shares of the Series A Preferred Stock 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 Stock hereunder.

(b) If the Corporation 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 Corporation), or in any other similar transaction affecting the Corporation or the number or value of Common Stock outstanding, effective provision shall be made for the protection of all conversion and voting rights of the Series A Preferred Stock hereunder.

(7) General Provisions. (a) The term "Affiliate" as used herein shall have the meaning set forth in the Stockholders Agreement.

(b) The term "Antitrust Authority" as used herein shall have the meaning set forth in the Stockholders Agreement.

(c) The terms "HSR Clearance Date" and "HSR Act" as used herein shall have the meanings set forth in the Stockholders Agreement.

(d) The term "Person" as used herein means an individual or a corporation, partnership, association, trust or any other entity or organization.

(e) The term "outstanding," when used herein with reference to shares of stock, shall mean issued shares, excluding shares held by the Corporation.

(f) The term "Stockholders Agreement" as used herein means that certain Stockholders Agreement, dated as of _____, 1996, by and among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp. and Loral Telecommunications Acquisition, Inc.

(g) The term "Stockholders" as used herein shall have the meaning set forth in the Stockholders Agreement.

(h) The headings of the paragraphs, subparagraphs, clauses and subclauses of this Certificate of Designation are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

(i) Subject to Section 3 hereof, any right, preference, privilege or power of, or restriction provided for the benefit of, the Series A Preferred Stock 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 written consent of the Corporation and the consent of the holders of not less than a majority of the shares of Series A Preferred Stock then outstanding, and any

amendment or waiver so effected shall be binding upon the Corporation and all holders of Series A Preferred Stock.

IN WITNESS WHEREOF, the undersigned, Senior Vice President of Loral Telecommunications Acquisition, Inc., has signed this Certificate of Designation this ___ day of _____, 1996 and affirms under penalties of perjury that it is the act and deed of the Corporation and that the facts stated herein are true.

LORAL TELECOMMUNICATIONS
ACQUISITION, INC.

By:_____
Michael B. Targoff
Senior Vice President

EXHIBITS B & C

1. Broad indemnification provisions

2. Limitations on and methods for changing size of the board

3. Limitations on shareholder rights to:

   A. act by written consent

   B. call special meetings

   C. fill board vacancies

   D. nominate directors

   E. propose actions that would facilitate change of control

   F. remove directors

4. Lock-ins (supermajority provisions for amending charter and by-laws)

5. Shareholder rights plan (Poison pill)

6. Staggered board

EXHIBIT D

A shareholder rights plan substantially identical to that of the shareholder rights plan adopted by Loral (as submitted to and approved by the Board of Directors of Loral prior to the date hereof) except that Loral and its affiliates and its 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 (including securities convertible or exercisable into common stock) of the Company, together with such other changes to the shareholder rights plan as the parties may reasonably agree.

EXHIBIT E TO DISTRIBUTION AGREEMENT

1. The Company Pension Plans
2. The Company Savings Plans
3. The Prior Welfare Plans
4. The SERP

Exhibit 99(c)(4)

STOCKHOLDERS AGREEMENT

dated as of _____, 1996

by and among

LORAL CORPORATION,

and

LORAL SPACE & COMMUNICATIONS CORPORATION

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT, dated as of _____, 1996 (the "Agreement"), by and among Loral Corporation, a New York corporation ("Loral"), and Loral Space & Communications Corporation, a _____ corporation (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 "Stockholders".

RECITALS:

WHEREAS, the Company, 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 _____ shares of Series A Non-Voting 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 Stockholders 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:

ARTICLE I

STANDSTILL AND VOTING PROVISIONS

Section 1.1. Restrictions on Certain Actions by the Stockholders. (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 Stockholders hold, in the aggregate, less than twenty percent (20%) of the Total Voting Power, then the Stockholders may acquire Equity Securities so that the Stockholders 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;

(iii) form, join or encourage the formation of, any "person" within the meaning of Section 13(d)(3) 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 Stockholders 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
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not prohibit any such arrangement solely among the Stockholders and any of their respective Affiliates;

(v) initiate, propose or otherwise solicit stockholders 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;

(vi) except as otherwise contemplated or permitted by this Agreement (including, without limitation, pursuant to Section 1.2 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 stockholders 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 Stockholders 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 Stockholders 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 Stockholders (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.

Section 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 Stockholders will (i) take promptly all actions necessary to make the filings required of the Stockholders, 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 Stockholders, 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 Stockholders 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 Stockholders 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 Stockholders 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.

Section 1.3. Voting.

(a) General Voting Provisions. Subject to the provisions of Section 1.3(b) below, 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 or on any other matters submitted to a vote of the stockholders of the Company (other than those matters set forth in Section 1.3(b) below). 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 stockholders of the Company (including, without limitation, those matters set forth in Section 1.3(b) below); 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 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 Stockholders) 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 stockholder action in lieu of a meeting of stockholders.

(b) Exceptions to General Voting Provisions. Notwithstanding anything to the contrary contained in this Agreement, each Stockholder shall have the right to vote freely, in any manner in which they determine, with respect to any of the following matters:

(i) any amendment to or modification or repeal of any provision of the Company's Certificate of Incorporation including any of the provisions of

any certificate of designation or By-laws (or similar organizational documents);

(ii) any merger, consolidation, corporate reorganization or similar transaction involving the Company;

(iii) 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;

(iv) any plan or proposal for the liquidation or dissolution of the Company or any assignment by the Company for the benefit of creditors, or any filing by the Company of a petition in bankruptcy; or

(v) any restructuring, extension, modification, substitution, refinancing or amendment of any indebtedness of the Company.

(c) Company Call. If, within one year following the date hereof, the Stockholders 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 Stockholders shall be required to sell to the Company, all, but not less than all, of the Equity Securities held by the Stockholders 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 Stockholders at the Call Event Trigger Price upon the terms and conditions set forth in this Section 1.3(c). The closing with respect to the purchase of Equity Securities by the Company pursuant to this Section 1.3(c) 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 Stockholders. 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 Stockholders prior to such closing date. For purposes of this Section 1.3(c), (i) the term "Call Event Triggering Transaction" shall mean any transaction described in Sections 1.3(b)(ii) and 1.3(b)(iii) 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; 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), (ii) the term "Call Event Trigger Price" shall mean the sum of (x) $344,000,000.00, plus (y) all amounts expended by the Stockholders 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 Stockholders following the date hereof in connection with the sale of Equity Securities (other than sales to another Stockholder) following the date hereof.

Section 1.4. Loral Option.

(a) General Provisions Relating to Loral Option. If, within one year 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 deliv-

ering 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 any transaction described in clauses (ii), (iii) or (iv) of Section 1.3(b) hereof, 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, (ii) the term "Option Event Trigger Price" shall mean a $6.00 per share cash purchase price, subject to adjustment pursuant to the provisions of Section 1.4(b) hereof, (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 (v) 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 Stockholders 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 Stockholders, 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.

Section 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 Stockholders 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 Stockholders 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 Stockholders 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).

ARTICLE 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.

Section 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 Stockholders 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).

ARTICLE III

REGISTRATION RIGHTS

Section 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 _____ 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 Stockholders (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 Stockholders 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 Stockholders), 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 Stockholders 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 Stockholders 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 Stockholders, 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 Stockholders. If the Registering Stockholders 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 Stockholders that such offering would be adversely affected by the inclusion of such other securities, the Registering Stockholders 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 Stockholders 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.

Section 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 Stockholders 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 Stockholders and the Company, and the Registering Stockholders and such underwriter shall execute an underwriting agreement in customary form. If the managing underwriter reasonably determines in good faith and advises the Registering Stockholders 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 Stockholders 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 Stockholders 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 Stockholders 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 Stockholders 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 Stockholders 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 Stockholders 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.

Section 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 Stockholders 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 Stockholders 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 Stockholders, to enable the

Registering Stockholders to consummate the disposition of such Subject Securities; (iv) notify the Registering Stockholders 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 Stockholders, 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 Stockholders 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.

(b) Before filing with the SEC any registration statement referred to herein or any amendments or supplements thereto, the Company shall furnish to the Registering Stockholders or their respective counsel copies of all such documents proposed to be filed, in order to give the Registering Stockholders 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 Stockholders or their respective counsel. The Company shall (i) deliver promptly to the Registering Stockholders 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 Stockholders or their respective counsel promptly of, and provide the Registering Stockholders 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 Stockholders 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.

(c) 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 Securi-

ties 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 Stockholders are entitled pursuant to Section 3.1.

Section 3.4. Expenses. The Registering Stockholders shall pay all agent fees and commissions and underwriting discounts and commissions related to Subject Securities being sold by the Registering Stockholders and the fees and disbursements of its counsel and accountants and the Company 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 (i) in the case of a registration pursuant to Section 3.1, be borne equally by the Registering Stockholders 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 theCompany, the Registering Stockholders and any other holders participating in such offering; provided that the Registering Stockholders 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.

Section 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 Stockholders 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.

(b) In the case of each offering registered pursuant to this Article III, the Registering Stockholders 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 Stockholders 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.

(c) 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.

(d) 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.

(e) 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.

Section 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.

SECTION 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 Stockholders 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.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties of the Company. The Company hereby represents and warrants to each of the Stockholders 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 Certificate of Incorporation or By-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 _____ shares of Spinco Common Stock and _____ shares of Preferred Stock, of which _____ shares of Spinco Common Stock and _____ shares of Preferred Stock shall be issued and outstanding, (ii) Loral will be the record and beneficial owner of _____ 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 and the shares of Preferred Stock specified in clause (i) above, there will be no other Equity Securities, and (iv) the Wing Stockholders will hold, in the aggregate, at least twenty percent (20%) of the Total Voting Power.

ARTICLE V

TERM

Section 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 seventh 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.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Certain Restrictions. The Company shall not take or recommend to its stockholders any action, including any amendment of its Certificate of Incorporation, By-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 stockholders 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 Stockholders under the provisions of this Agreement.

The Stockholders agree that the Company may adopt a stockholders rights plan similar to the stockholders 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.

Section 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.

Section 6.3. Fees and Expenses. Except as otherwise provided in this Agreement, all costs and expenses incurred by the Stockholders 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.

Section 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.

Section 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).

Section 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 Stockholders, 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.

(b) 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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 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

By:_____
Name:
Title:

LORAL SPACE & COMMUNICATIONS CORPORATION

By:_____
Name:
Title:

TAX SHARING AGREEMENT

TAX SHARING AGREEMENT ("the Agreement") dated as of _____, 1996 by and among Loral Corporation, a New York corporation (the "Company"), Loral Telecommunications Acquisition, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Spinco"), Lockheed Martin 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 January 7, 1996 (the "Distribution Agreement"), the Company, Spinco and certain of the Retained Subsidiaries have agreed to certain intercompany distributions, assignments, transfers and contributions of the Spinco Assets and the assumption of certain liabilities by Spinco, as more fully described in Section 2.1 of the Distribution Agreement (the "Transfer");

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, immediately after the consummation of the Offer and the Form 10 or registration statement, as the case may be, having been declared effective by the SEC, the Company will distribute the Spinco Common Stock to the Company shareholders and the Company will retain its Spinco Preferred Stock;

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, at the end of the day on which the Distribution occurs (the "Distribution Date"), Spinco's taxable year shall close for U.S. federal income tax purposes;

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. 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):

"Aerospace" shall have the meaning set forth in the Distribution Agreement.

"Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"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 an affiliated group of corporations filing a consolidated federal income tax return, as defined in Treasury Regulation Section 1.1502-1(h).

"Continental" shall have the meaning set forth in the Distribution Agreement.

"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.

"Distribution Date" 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.

"Holdings" shall have the meaning set forth in the Distribution Agreement.

"Income Taxes" means any and all taxes based upon or measured by net income (including, without limitation, any 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, 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 "Independent Accounting Firm" shall mean the firm 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 "Independent Law Firm" shall mean the firm 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.

"K&F" shall have the meaning set forth in the Distribution Agreement.

"LGP" shall have the meaning set forth in the Distribution Agreement.

"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 consolidated group of corporations of which the Company is the "common parent" within the meaning of Section 1504 of the Code and the Treasury Regulations promulgated under Section 1502 of the Code and any Subsidiary of a member of such consolidated group.

"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 governmen-

tal 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), penalties or additions to tax attributable thereto.

"Overpayment Rate" means the rate specified under Section 6621(a)(1) of the Code for overpayments of tax.

"Parent" shall have the meaning set forth in the recitals to this Agreement.

"Parent Group" means the consolidated group of which Parent or any successor is the "common parent" within the meaning of Section 1504 of the Code and the Treasury Regulations promulgated under Section 1502 of the Code and any Subsidiary of a member of such consolidated group.

"Proceeding" means any audit or other examination, judicial or administrative proceeding 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 or Other Taxes, including any reduction in liabilities for such 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 Companies" shall have the meaning set forth in the Distribution Agreement.

"Spinco Group" means the Spinco Companies, Spinco and any Subsidiary thereof (including any successors thereto).

"Spinco Preferred Stock" shall have the meaning set forth in the Distribution Agreement.

"SSL" shall have the meaning set forth in the Distribution Agreement.

"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 and adjusted for the loss of any federal tax benefit) of a person 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 consolidated group 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, less the amount by which the tax liability to another taxing authority is increased as a result of the reduction in tax liabilities to another taxing authority (unless such increase has already been taken into account under the provisions of Section 5 hereof) and less any increase in tax liability as a result of the receipt of interest as described above.

"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

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.

"Treasury Regulation" means any final, temporary or proposed regulation promulgated under the Code.

"U.S." means the United States of America.

2. Cooperation; Maintenance and Retention of Records. 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 (i) the preparation of any Tax Return or any Information Return, (ii) the conduct of any Proceeding (iii) 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 (iv) 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 Distribution Date; Reporting of Certain Transactions.

(a) 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), Spinco's taxable year shall end at the close of the Distribution Date, in accordance with the rule of Treasury Regulation Section 1.1502-76(b)(1).

(b) The Parent Group hereby agrees to report each of the transactions set forth in Section 2.1 of the Distribution Agreement for all foreign, federal, state and local Income Tax purposes in a manner consistent with the form and chronology described therein, including (i) in the case of any distribution of a Spinco Asset by any member of the Old Company Group that is a corporation, as a distribution of property under Section 311(b) of the Code and any comparable provision of state or local law; (ii) in the case of any such distribution between members of the Old Company Group filing a consolidated Tax Return, as an "intercompany transaction" within the meaning of Treasury Regulations Section 1.1502-13(b) and any comparable provision of state or local law; and (iii) in the case of any transfer subject to Treasury Regulations Section 1.1502-13(d) and any comparable provision of state or local law, by applying the rules described therein. The parties hereby agree to negotiate in good faith to determine the fair market values of Spinco and the material items of the Spinco Assets for purposes of reporting the transactions described in this subsection (b) for all foreign, federal, state and local Income Tax purposes, and the parties shall report all Income Taxes in a manner consistent with such fair market values.

4. Filing of Tax Returns and Information Returns; Payment of Taxes.

(a) Old Company Group. To the extent not filed before the Distribution Date, Parent shall prepare and file or cause to be prepared and filed all Tax Returns of the Old Company Group and any member thereof, other than Tax Returns involving only the Spinco Group (or any members thereof) for which Spinco is responsible pursuant to subsection (c) hereof, and Parent 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) Company Group; Parent Group. Parent shall prepare and file or shall cause to be prepared and filed all Tax Returns of the Company Group and the Parent Group and any member of either the Company Group or the Parent Group (other than Tax Returns of Spinco or any of its Subsidiaries for taxable periods beginning after the Distribution Date) and shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Company Group or the Parent Group on such Tax Returns.

(c) Spinco Group. Spinco shall prepare and file or cause to be prepared and filed (i) all Tax Returns of the Spinco Group for all taxable periods beginning after the Distribution Date and (ii) all Tax Returns involving only one or more members of the Spinco Group for all taxable periods, and Spinco 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.

(d) Information Returns. Spinco shall file all Information Returns required to be filed by any member of the Spinco Group after the Distribution Date and all Information Returns involving only the Spinco Group (or any members thereof) for all taxable periods. Except as provided in the preceding sentence, to the extent not filed before the Distribution Date, Parent shall file all Information Returns required to be filed by any member of the Old Company Group, the Parent Group or the Company Group. Any party required to file any Information Return pursuant to this Section 4 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.

5. Indemnification for Taxes.

(a) Spinco Group 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 Spinco Group for all taxable periods (including taxable periods or portions thereof during which any member of the Spinco Group was a member of the Old Company Group or the Parent Group but excluding all Income Tax Liabilities arising from the Transfer and Distribution (other than amounts described in clause (iii) hereof); (ii) all Income Tax Liabilities incurred pursuant to Treasury Regulation Section 1.1502-6 or any comparable state, local or other provision providing for joint and several liability as a result of any member of the Spinco Group having been a member of any consolidated, combined, unitary or other group (other than the Old Company Group and the Parent Group); and (iii) the excess, if any, of (A) all Income Tax Liabilities arising, directly or indirectly, from the transactions set forth in Section 2.1(a) of the Distribution Agreement and the Distribution minus (B) the hypothetical amount of all Income Tax Liabilities that would have arisen, directly or indirectly, from a distribution by Aerospace to Holdings of all of the shares of capital stock owned by Aerospace in LGP and SSL, followed by a distribution by Holdings to the Company of all of the shares of capital stock owned by Holdings in LGP, SSL and Continental, followed by a transfer by the Company to Spinco of all of the shares of capital stock owned by the Company in LGP, SSL, K&F and Continental and the transfer to Spinco of the other Spinco Assets described in Section 2.1(a)(viii) of the Distribution Agreement, followed by the Distribution. For purposes of clause (i) of this subsection (a), the Income Tax Liabilities of any member or members of the Spinco Group for any taxable period during which such member or members joined with members of the Old Company Group, the Parent Group, or any other group in the filing of a consolidated, unitary, combined or other group Tax Return shall be determined as if each of such Spinco Group member or members filed its Tax Returns for such period on a stand-alone basis.

(b) Old Company Group and Parent Group Income Taxes. The Parent Group shall pay, and shall indemnify and hold the Spinco Group harmless against, (i) all Income Tax Liabilities of any member of the Old Company Group or the Parent Group (other than Income Tax Liabilities of any member of the Spinco Group for any taxable period); (ii) all Income Tax Liabilities incurred pursuant to Treasury Regulation Section 1.1502-6 or any

comparable state, local or other provision providing for joint and several liability as a result of any member of the Old Company Group or the Parent Group (other than any member of the Spinco Group) having been a member of any consolidated, combined, unitary or other group; and (iii) any Income Tax Liabilities arising from the Transfer and the Distribution (other than amounts described in subsection (a)(iii) hereof), regardless of when recognized.

(c) Other Taxes. 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 Old Company Group or the Parent Group (other than, in both cases, a member of the Spinco Group), including all Other Taxes, if any, arising from the Transfer and the Distribution. Except as provided in the preceding sentence, the Spinco Group shall pay, and shall indemnify and hold the Parent Group harmless against, all liabilities for all Other Taxes attributable to the income, property or activities of any member of the Spinco Group. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement, the Company shall prepare and file, or cause to be prepared and filed, any Tax Return required under the New York Real Property Transfer Gains Tax, the New York Real Property Transfer Tax and the New York City Real Property Transfer Tax in connection with the Offer, the Merger, or the Transfer (other than amounts described in clause (iii) of subsection (a) hereof) and the Parent Group shall timely pay and indemnify the Spinco group against any taxes due and payable on such returns; and Spinco shall prepare and file, or cause to be prepared and filed, any Tax Return required under the New York Real Property Transfer Gains Tax, the New York Real Property Transfer Tax and the New York City Real Property Transfer Tax in connection with the Distribution and the Spinco Group shall timely pay and indemnify the Parent group against any taxes due and payable on such returns.

(d) To the extent that the Indemnifying Party is required to indemnify another party pursuant to this Section 5, 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 5. The Indemnified Party shall submit its calculations of the amount required to be paid pursuant to this Section 5, 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 8 of this Agreement.

6. Carryovers. In the event that any member of the Spinco Group realizes any loss or credit for tax purposes for any taxable period beginning on or after the Distribution Date, such member may elect to carry back such loss or credit only with the written consent of Parent (which consent shall not be unreasonably withheld).

7. 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 Company Group or the Old Company Group (other than those attributable to the Spinco Group). Notwithstanding the foregoing, the Parent Group shall be entitled to Refunds attributable to the Spinco Group that result from the carryback of a tax attribute by the Company Group, and the Spinco Group shall be entitled to Refunds attributable to the Company Group that result from the carryback of a tax attribute by the Spinco Group. 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 ten days after the receipt of the refund. The amount of any Refund attributable to the Spinco Group shall be determined according to the principles set forth in the last sentence of Section 5(a) hereof.

8. 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, the parties shall jointly retain the Independent Accoun-

ting 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 Overpayment Rate from the date such payment was due through the date such underpayment or overpayment is paid or refunded.

9. Control of Proceedings. In the case of any Proceeding with respect to Income Taxes or Other Taxes for which a party is or may be liable pursuant to this Agreement, Parent or Spinco, as the case may be, shall promptly give notice to the other party, informing such other party of the Proceeding in reasonable detail, and Parent or Spinco, as the case may be, shall execute or cause to be executed any powers of attorney or other documents necessary to enable the party that may be so liable to take all actions desired by such party with respect to such Proceeding. Such party shall have the right to control any such Proceeding and, to initiate any claim for refund, file any amended return or take any other action that it deems appropriate with respect to such Income Taxes or Other Taxes, provided, however, that if such Proceeding relates to a Tax Return for which the other party is Responsible, the Responsible party shall have the right, within a reasonable time after such notice is given, to deny the non-Responsible party control of such Proceeding. In the event that a Responsible party denies control of a Proceeding to a non-Responsible party, the parties shall agree upon the amount of such Income Taxes of Other Taxes for which the non-Responsible party is liable pursuant to this Agreement or, if the parties cannot so agree, shall submit the amount of such liability to arbitration for resolution (in a manner consistent with the procedures set forth in Section 8 hereof), which resolution shall determine the amount of

the payment to be made pursuant to this Agreement, taking into account the risks of litigation and the other practical considerations associated with the settlement of such a Proceeding, and the Responsible party shall have the sole discretion to defend, settle or take any action that it deems appropriate with respect to such Proceeding. For purposes of this Section 9, a party is Responsible for any Tax Return that it is required to file pursuant to Section 4 hereof, and Parent is Responsible for any Tax Returns of any member of the Old Company Group (excluding Tax Returns involving solely members of the Spinco Group).

10. Timing Adjustment.

(a) If an audit or other examination of any Income Tax Return of the Parent Group or a Proceeding for any period for which Parent 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, Parent shall notify Spinco (Parent and Spinco, for purposes of this subsection (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 Spinco 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 Parent Group to in-

crease 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 Parent Group for one or more taxable periods, Spinco will notify Parent (Spinco and Parent, for purposes of this subsection (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 subsections (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 $100,000) 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 contrary in this Section 10, 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 Overpayment Rate from the date of payment to the date of repayment.

11. 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

Overpayment 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 an adjustment (increase or decrease) in the amount contributed by Parent to the Company and by the Company to Spinco, and the parties shall not file any Tax Returns or Information Returns inconsistent with this position.

12. Termination of Prior Tax Sharing Agreements. This Agreement shall take effect on the Distribution 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 Distribution Date, and any rights or obligations existing thereunder thereby shall be fully and finally settled without any payment by any party thereto.

13. 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.

14. Construction. The provisions of this Agreement shall be construed such that no increase or decrease in Income Taxes or Other Taxes or Tax Benefit is taken into account more than once.

15. 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.

16. 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.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute together the same document.

18. Effective Date. This Agreement shall become effective only upon the occurrence of the Distribution Date and shall terminate and be null and void and of no force and effect upon any termination of the Merger Agreement.

19. 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.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LORAL CORPORATION

By:_____
Name:
Title:

LORAL TELECOMMUNICATIONS
ACQUISITION, INC.

By:_____
Name:
Title:

LOCKHEED MARTIN CORPORATION

By:_____
Name:
Title:

LAC ACQUISITION CORPORATION

By:_____
Name:
Title:

[FORM OF]

EMPLOYMENT PROTECTION AGREEMENT

THIS AGREEMENT between Loral Corporation, a New York corporation (the "Company"), and _____ (the "Executive"), dated as of this 7th day of January 1996.

W I T N E S S E T H :

WHEREAS, the Company and the Executive have agreed to enter into an agreement providing the Company and the Executive with certain rights upon the occurrence of a Change of Control (as defined below) to assure the Company of continuity of management;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Company and the Executive as follows:

1. Effective Date; Term. This Agreement shall be effective as of January 7, 1996. The Company may terminate this Agreement upon five (5) days advance written notice to the Executive; except that if this Agreement is in effect immediately prior to the date of a Change of Control (the "Effective Date"), it shall remain in effect for at least three (3) years following such Change of Control, and such additional time as may be necessary to give effect to the terms of this Agreement. This Agreement may also terminate as provided in Section 2(b) hereof.

2. Change of Control. (a) Except as provided in Section 2(b) hereof, for purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if: (i) any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof)), excluding the Company, any majority owned subsidiary of the Company (a "Subsidiary") and any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee), but including a "group" as defined in Section 13(d)(3) of the Exchange Act (a "Person"), becomes the beneficial owner of shares of the Company having at least 50% of the total number of votes that may be cast for the election of directors of the Company (the "Voting Shares") provided, however, that such an event shall not constitute a Change of Control if such acquisition has been approved by a majority of the Incumbent Directors (as defined in subsection 2(a)(iii)); (ii) the shareholders of the Company shall approve

any merger or other business combination of the Company, sale of the Company's assets or combination of the foregoing transactions (a "Transaction") other than a Transaction involving only the Company and one or more of its Subsidiaries, a Transaction approved by a majority of the Incumbent Directors, or a Transaction immediately following which the shareholders of the Company immediately prior to the Transaction, excluding for this purpose any shareholder owning directly or indirectly more than 10% of the shares of the other company involved in the Transaction, continue to have a majority of the voting power in the resulting entity, or (iii) within any 24-month period beginning on or after January 7, 1996, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board of Directors of the Company (the "Board") or the board of directors of any successor to the Company, provided that any director who was not a director as of January 7, 1996 shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually or by prior operation of this subsection 2(a)(iii).

(b) This Agreement shall terminate upon, and no Change of Control shall be deemed to occur as a result of, the successful consummation of the "Offer" (as defined in Section 1.1(a) of the Agreement and Plan of Merger Dated as of January 7, 1996 By and Among the Company, Lockheed Martin Corporation and LAC Acquisition Corporation), or upon the successful consummation of any transaction which is approved by the Incumbent Directors and as a result of which Lockheed Martin Corporation or a wholly owned subsidiary thereof acquires substantially all of the Company's voting securities or substantially all of the Company's defense businesses.

3. Retention Period. If the Executive is employed on the Effective Date, the Company agrees to continue the Executive in its employ, and the Executive agrees to remain in the employ of the Company, for the period (the "Retention Period") commencing on the Effective Date and ending on the earliest to occur of (i) the third anniversary of the Effective Date, and (ii) the date of any termination of the Executive's employment in accordance with Section 6 of this Agreement.

Position and Duties. (a) No Reduction in Position. During the Retention Period, the Executive's position (including titles), authority and responsibilities shall be at least commensurate with the highest of those held or exercised by him at any time during the 90-day period immediately preceding the Effective Date.

(b) Business Time. During the Retention Period, the Executive shall devote his full business time during normal

business hours to the business and affairs of the Company and use his best efforts to perform faithfully and efficiently the responsibilities assigned to him hereunder, to the extent necessary to discharge such responsibilities, except for

(i) reasonable time spent in serving on corporate, civic or charitable boards or committees of the nature similar to those on which the Executive served prior to the Change of Control, or otherwise approved by the Board, in each case only if and to the extent not substantially interfering with the performance of such responsibilities, and

(ii) periods of vacation and sick leave to which he is entitled.

It is expressly understood and agreed that the Executive's continuing to serve on any boards and committees on which he is serving or with which he is otherwise associated immediately preceding the Effective Date shall not be deemed to interfere with the performance of the Executive's services to the Company.

5. Compensation. (a) Base Salary. During the Retention Period, the Executive shall receive a base salary ("Base Salary") at a monthly rate at least equal to the monthly salary paid to the Executive by the Company and any of its affiliated companies immediately prior to the Effective Date. The Base Salary shall be reviewed at least once each year after the Effective Date, and may be increased (but not decreased) at any time and from time to time by action of the Board or any committee thereof or any individual having authority to take such action in accordance with the Company's regular practices. Neither payment of the Base Salary nor payment of any increased Base Salary after the Effective Date shall serve to limit or reduce any other obligation of the Company hereunder. For purposes of the remaining provisions of this Agreement, the term "Base Salary" shall mean Base Salary as defined in this Section 5(a) or, if increased after the Effective Date, the Base Salary as so increased.

(b) Annual Bonus. In addition to the Base Salary, the Executive shall be awarded for each fiscal year of the Company ending during the Retention Period an annual bonus (either pursuant to a bonus plan or program of the Company or otherwise) in cash at least equal to the greater of the two most recent fiscal year bonuses (annualized, if awarded in respect of a partial year) awarded to the Executive prior to the Effective Date under the bonus program of the Company applicable to such Executive ("Annual Bonus"). If a fiscal year of the Company begins, but does not end, during the Retention Period, the Executive shall receive an amount with respect to such fiscal year at least equal to the amount of the Annual Bonus multiplied by a fraction, the numerator of which is the number of days in

such fiscal year occurring during the Retention Period and the denominator of which is 365. Each amount payable in respect of the Executive's Annual Bonus shall be paid not later than 90 days after the fiscal year next following the fiscal year for which the Annual Bonus (or pro-rated portion) is earned or awarded, unless electively deferred by the Executive pursuant to any deferral programs or arrangements that the Company may make available to the Executive, in which event such deferred amount shall be payable in accordance with the terms of such deferral program or arrangement. Neither the Annual Bonus nor any bonus amount paid in excess thereof after the Effective Date shall serve to limit or reduce any other obligation of the Company hereunder.

(c) Incentive and Savings Plans and Retirement Programs. In addition to the Base Salary and Annual Bonus payable as hereinabove provided, during the Retention Period, the Executive shall be entitled to participate in all incentive and savings plans and programs, including stock option plans and other equity based compensation plans, and in all retirement plans, on a basis providing him with the opportunity to receive compensation (without duplication of the amount payable as an Annual Bonus) and benefits equal to those provided by the Company to the Executive on an annualized basis under such plans and programs as in effect at any time during the 90-day period immediately preceding the Effective Date. With respect to participation in stock option plans, Executive shall receive annual grants during the Retention Period at least equal to the average annual grants made to Executive during the two fiscal years immediately preceding the Effective Date.

(d) Benefit Plans. During the Retention Period, the Executive and his family shall be entitled to participate in or be covered under all welfare benefit plans and programs of the Company and its affiliated companies, including all medical, dental, disability, group life, accidental death and travel accident insurance plans and programs, as in effect at any time during the 90-day period immediately preceding the Effective Date.

(e) Expenses. During the Retention Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Company as in effect at any time during the 90-day period immediately preceding the Effective Date.

(f) Vacation and Fringe Benefits. During the Retention Period, the Executive shall be entitled to paid vacation and fringe benefits in accordance with the policies of the Company as in effect at any time during the 90-day period immediately preceding the Effective Date.

(g) Office and Support Staff. During the Retention Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive at any time during the 90-day period immediately preceding the Effective Date.

6. Termination. (a) Death or Disability. The Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment during the Retention Period, after having established the Executive's Disability, by giving the Executive written notice of its intention to terminate his employment, and his employment with the Company shall terminate effective on the 90th day after receipt of such notice if, within 90 days after such receipt, the Executive shall fail to return to full-time performance of his duties. For purposes of this Agreement, "Disability" means disability which, after the expiration of more than 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or his legal representatives (such agreement to acceptability not to be withheld unreasonably).

(b) Voluntary Termination. Notwithstanding anything in this Agreement to the contrary, the Executive may, upon not less than 30 days' written notice to the Company, voluntarily terminate employment during the Retention Period for any reason, provided that any termination by the Executive pursuant to Section 6(d) of this Agreement on account of Good Reason (as defined therein) shall not be treated as a voluntary termination under this Section 6(b).

(c) Cause. The Company may terminate the Executive's employment during the Retention Period for Cause. For purposes of this Agreement, "Cause" means (i) gross misconduct on the Executive's part which is demonstrably willful and deliberate and which results in material damage to the Company's business or reputation or (ii) repeated material violations by the Executive of his obligations under Section 4 of this Agreement which violations are demonstrably willful and deliberate.

(d) Good Reason. The Executive may terminate his employment during the Retention Period for Good Reason. For purposes of this Agreement, "Good Reason" means

(i) a good faith determination by the Executive that, without his prior written consent, the Company or any of its officers has taken or failed to take any action (including, without limitation, (A) exclusion of the Executive from consideration of material matters within his area of responsibility, other than an insubstantial or inadvertent exclusion remedied by the Company promptly after receipt of notice thereof from the Executive, (B) statements

or actions which undermine the Executive's authority with respect to persons under his supervision or reduce his standing with his peers, other than an insubstantial or inadvertent statement or action which is remedied by the Company promptly after receipt of the notice thereof from the Executive, (C) a pattern of discrimination against or harassment of the Executive or persons under his supervision and (D) the subjection of the Executive to procedures not generally applicable to other similarly situated executives) which changes the Executive's position (including titles), authority or responsibilities under Section 4 of this Agreement or reduces the Executive's ability to carry out his duties and responsibilities under Section 4 of this Agreement;

(ii) any failure by the Company to comply with any of the provisions of Section 5 of this Agreement, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof from the Executive;

(iii) the Company's requiring the Executive to be employed at any location more than 35 miles further from his principal residence than the location at which the Executive was employed immediately preceding the Effective Date; or

(iv) any failure by the Company to obtain the assumption of and agreement to perform this Agreement by a successor as contemplated by Section 14(b) of this Agreement.

(e) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason during the Retention Period shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 15(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice given, in the case of a termination for Cause, within 10 business days of the Company's having actual knowledge of all of the events giving rise to such termination, and in the case of a termination for Good Reason, within 180 days of the Executive's having actual knowledge of the events giving rise to such termination, and which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

(f) Date of Termination. For purposes of this Agreement, the term "Date of Termination" means (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein and (ii) in all other cases, the actual date on which the Executive's employment terminates during the Retention Period.

7. Obligations of the Company upon Termination. (a) Death. If the Executive's employment is terminated during the Retention Period by reason of the Executive's death, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the date of his death, including, for this purpose (i) the Executive's full Base Salary through the Date of Termination, (ii) the product of the Annual Bonus and a fraction, the numerator of which is the number of days in the current fiscal year of the Company through the Date of Termination, and the denominator of which is 365 (the "Pro-rated Bonus Obligation"), (iii) any compensation previously deferred by the Executive (together with any accrued earnings thereon) and not yet paid by the Company and (iv) any other amounts or benefits owing to the Executive under the then applicable employee benefit plans or policies of the Company (such amounts specified in clauses (i), (ii), (iii) and (iv) are hereinafter referred to as "Accrued Obligations"). Unless otherwise directed by the Executive (or, in the case of any employee benefit plan qualified (a "Qualified Plan") under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as may be required by such plan), all such Accrued Obligations shall be paid to the Executive's legal representatives in a lump sum in cash within 30 days of the Date of Termination. Anything in this Agreement to the contrary notwithstanding, the Executive's family shall be entitled to receive benefits at least equal to the most favorable level of benefits available to surviving families of executives of the Company and its affiliates under such plans, programs and policies relating to family death benefits, if any, of the Company and its affiliates in effect at any time during the 90-day period immediately preceding the Effective Date.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability, the Executive shall be entitled, after the Date of Termination until the date when the Retention Period would otherwise have terminated, to continue to participate in or be covered under the benefit plans and programs referred to in Section 5(d) of this Agreement or, at the Company's option, to receive equivalent benefits by alternate means at least equal to those provided in accordance with Section 5(d) of this Agreement. Unless otherwise directed by the Executive (or, in the case of any Qualified Plan, as may be required by such plan), the Executive shall also be paid all Accrued Obligations in a lump sum in cash within 30 days of the

Date of Termination. Anything in this Agreement to the contrary notwithstanding, the Executive shall be entitled to receive disability and other benefits at least equal to the most favorable level of benefits available to disabled employees and/or their families in accordance with the plans, programs and policies maintained by the Company or its affiliates relating to disability at any time during the 90-day period immediately preceding the Effective Date.

(c) Cause and Voluntary Termination. If, during the Retention Period, the Executive's employment shall be terminated for Cause or voluntarily terminated by the Executive (other than on account of Good Reason), the Company shall pay the Executive the Accrued Obligations other than the Pro-rated Bonus Obligation. Unless otherwise directed by the Executive (or, in the case of any Qualified Plan, as may be required by such plan), the Executive shall be paid all such Accrued Obligations in a lump sum in cash within 30 days of the Date of Termination and the Company shall have no further obligations to the Executive under this Agreement.

(d) Termination by Company other than for Cause or Disability and Termination by Executive for Good Reason. (i) Lump Sum Payment. If, during the Retention Period, the Company terminates the Executive's employment other than for Cause or Disability, or the Executive terminates his employment for Good Reason, the Company shall pay to the Executive in a lump sum in cash within 15 days after the Date of Termination the aggregate of the following amounts:

(A) if not theretofore paid, the Executive's Base Salary through the Date of Termination at the rate specified in Section 5(a) of this Agreement;

(B) a cash amount equal to three times the sum of

(1) the Executive's annual Base Salary at the rate specified in Section 5(a) of this Agreement;

(2) the Annual Bonus; and

(3) an amount equal to the average annual compensation received by the Executive (determined as the sum of the amount includable as current income to the Executive for tax purposes plus any amount which would have been so includable but for a deferral election) under the Company's restricted stock plan over the three fiscal years prior to the Change of Control; and

(4) the present value, calculated using the annual federal short-term rate as determined under Section 1274(d) of the Code, of (without duplication) (x) the annual cost to the Company (based on the

premium rates or other costs to it) of obtaining coverage equivalent to the coverage under the plans and programs described in Section 5(d) of this Agreement, and (y) the annualized value of the fringe benefits described under Section 5(f) of this Agreement;

provided, however, that with respect to the life and medical insurance coverage referred to in Section 5(d) of this Agreement, at the Executive's election made prior to the Date of Termination, the Company shall use its best efforts to secure conversion coverage and shall pay the cost of such coverage in lieu of paying the lump sum amount attributable to such life or medical insurance coverage; and

(C) a cash amount equal to any amounts (other than amounts payable to the Executive under any Qualified Plans) described in Sections 7(a)(iii) and (iv) of this Agreement.

(ii) Discharge of Company's Obligations. Subject to the performance of its obligations under this Section 7(d), the Company shall have no further obligations to the Executive in respect of any termination by the Executive for Good Reason or by the Company other than for Cause or Disability, except to the extent expressly provided under any of the plans referred to in Section 5(c) or 5(d) of this Agreement.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any stock option or other plans or agreements with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes with respect to the Gross-Up Payment (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the payments.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by

Coopers & Lybrand or such other nationally recognized accounting firm then auditing the accounts of the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, or is unwilling or unable to perform its obligations pursuant to this Section 9, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the potential uncertainty in the application of Section 4999 of the Code (or any successor provision) at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company

exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 20 business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate

courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others whether by reason of the subsequent employment of the Executive or otherwise. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and no amount payable under this Agreement shall be reduced on account of any compensation received by the Executive from other employment. In the event that the Executive shall in good faith give a Notice of Termination for Good Reason and it shall thereafter be determined by mutual consent of the Executive and the Company or by a tribunal having jurisdiction over the matter that Good Reason did not exist, the employment of the Executive shall, unless the Company and the Executive shall otherwise

mutually agree, be deemed to have terminated, at the date of giving such purported Notice of Termination, by mutual consent of the Company and the Executive and, except as provided in the last preceding sentence, the Executive shall be entitled to receive only those payments and benefits which he would have been entitled to receive at such date otherwise than under this Agreement.

11. Disputes; Legal Fees and Expenses. (a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively and finally by expedited arbitration, conducted before a single arbitrator in New York, New York, in accordance with the rules governing employment disputes then in effect of the American Arbitration Association and the procedures set forth on Exhibit A hereto. The arbitrator shall be approved by both the Company and the Executive. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) In the event that any claim by the Executive under this Agreement is disputed, the Company shall pay all reasonable legal fees and expenses incurred by the Executive in pursuing such claim, provided that the Executive is successful as to at least part of the disputed claim by reason of arbitration, settlement or otherwise.

12. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, (i) obtained by the Executive during his employment by the Company or any of its affiliated companies and (ii) not otherwise public knowledge (other than by reason of an unauthorized act by the Executive). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 12 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

13. Employment Contract or Severance Benefits. Notwithstanding anything else in this Agreement to the contrary, any amount payment to the Executive hereunder on account of his termination of employment shall be reduced on a dollar for dollar basis by each dollar actually paid to the Executive with respect to such termination under the terms of any employment contract between the Executive and the Company or under any severance program or policy applicable to the Executive. Nothing in this Agreement shall be construed to require duplication of any compensation, benefits or other entitlements provided to the

Executive by the Company under the terms of any employment contract which may address similar matters.

14. Successors. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

15. Miscellaneous. (a) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, applied without reference to principles of conflict of laws.

(b) Amendments. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(c) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the address listed below
(with a copy to)

If to the Company: _____

_____

_____

Attention: Secretary
(with a copy to the attention
of the General Counsel)

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(d) Tax Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, State or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Corporate Counsel, all as of the day and year first above written.

LORAL CORPORATION

By

Name:
Title:

EXECUTIVE:

Address:

EXHIBIT 99(c)(7)

LORAL CORPORATION

EMPLOYMENT PROTECTION PLAN

(EFFECTIVE JANUARY 7, 1996)

LORAL CORPORATION
EMPLOYMENT PROTECTION PLAN

(Effective January 7, 1996)

Loral Corporation (the "Company") believes that the best interests of the Company and its shareholders will be served if certain key employees of the Company are provided with certain rights upon a Change of Control (as hereinafter defined). Accordingly, the Company hereby establishes this "Loral Corporation Employment Protection Plan" (the "Plan") for the benefit of such key employees.

SECTION 1. DEFINITIONS

In addition to the terms defined in the preceding paragraph, the following definitions shall apply for purposes of the Plan.

1.1. "Annual Bonus" means the greater of the two most recent fiscal year bonuses (annualized, if awarded in respect of a partial year) awarded to an Eligible Employee prior to a Change of Control under the bonus program of any Loral Company applicable to such Executive.

1.2. "Annual Salary" means an Eligible Employee's annual rate of regular salary as in effect immediately prior to the Change of Control.

1.3. "Board" means the Board of Directors of the Company.

1.4. "Cause" means any of the following, other than due to an Eligible Employee's Permanent Disability or death:

(a) an Eligible Employee's gross misconduct which is demonstrably willful and deliberate and which results in material damage to the Company's business or reputation; or

(b) an Eligible Employee's repeated willful and deliberate neglect of, or refusal to perform, the duties required or associated with the Eligible Employee's employment.

1.5. "Change of Control" means the occurrence of any of the following events: (i) any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof)), excluding the Company, any majority owned subsidiary of the Company (a "Subsidiary") and any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee), but including a "group" as defined in Section 13(d)(3) of the Exchange Act (a "Person"), becomes the beneficial owner of

shares of the Company having at least 50% of the total number of votes that may be cast for the election of directors of the Company (the "Voting Shares") provided, however, that such an event shall not constitute a Change of Control if such acquisition has been approved by a majority of the Incumbent Directors (as defined in subsection 1.4 (iii)); (ii) the shareholders of the Company shall approve any merger or other business combination of the Company, sale of the Company's assets or combination of the foregoing transactions (a "Transaction") other than a Transaction involving only the Company and one or more of its Subsidiaries, a Transaction approved by a majority of the Incumbent Directors, or a Transaction immediately following which the shareholders of the Company immediately prior to the Transaction, excluding for this purpose any shareholder owning directly or indirectly more than 10% of the shares of the other company involved in the Transaction, continue to have a majority of the voting power in the resulting entity, or (iii) within any 24-month period beginning on or after January 7, 1996, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of any successor to the Company, provided that any director who was not a director as of January 7, 1996 shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually or by prior operation of this subsection 1.4 (iii); provided, however, that no Change of Control shall be deemed to occur as a result of the successful consummation of the "Offer" (as defined in Section 1.1(a) of the Agreement and Plan of Merger Dated as of January 7, 1996 By and Among the Company, Lockheed Martin Corporation and LAC Acquisition Corporation), or upon the successful consummation of any transaction which is approved by the Incumbent Directors and as a result of which Lockheed Martin Corporation or any wholly owned subsidiary thereof acquires substantially all of the Company's defense businesses (the "Lockheed Martin Merger").

1.6. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.7. "Committee" means the Compensation Committee of the Board.

1.8. "Common Stock" means the common stock of the Company, $.25 par value per share.

1.9. "Company" means the Loral Corporation and any successor or successors thereto.

1.10. "Eligible Employee" means each full-time employee of either the Company or another Loral Company whose name appears on Schedule A hereto.

1.11. "Eligible Termination" means an involuntary termination of employment without Cause, or a resignation for Good Reason, which occurs as of or within the three-year period following a Change of Control; provided, however, that the transfer of employment to another employer that is a member of the Loral Companies shall not in itself constitute an Eligible Termination (but any such transfer will not preclude another or accompanying event or reason from constituting or causing an Eligible Termination, and the protections of the Plan and corresponding obligations of the Company will remain in effect following any such transfer of employment).

1.12. "Good Reason" means any one or more of the following events, which occurs without an Eligible Employee's express prior written consent or approval, other than due to an Eligible Employee's Permanent Disability or death:

(i) a good faith determination by the Eligible Employee that the Company or any of its officers has taken or failed to take any action (including, without limitation, (A) exclusion of the Eligible Employee from consideration of material matters within his area of responsibility, other than an insubstantial or inadvertent exclusion remedied by the Company promptly after receipt of notice thereof from the Eligible Employee, (B) statements or actions which undermine the Eligible Employee's authority with respect to persons under his supervision or reduce his standing with his peers, other than an insubstantial or inadvertent statement or action which is remedied by the Company promptly after receipt of the notice thereof from the Eligible Employee, (C) a pattern of discrimination against or harassment of the Eligible Employee or persons under his supervision and (D) the subjection of the Eligible Employee to procedures not generally applicable to other similarly situated executives) which changes the Eligible Employee's position (including titles), authority or responsibilities under Section 4 of this Agreement or reduces the Eligible Employee's ability to carry out his duties and responsibilities under Section 4 of this Agreement;

(ii) any reduction in an Eligible Employee's Annual Salary or any material reduction in his annual bonus opportunity or employee benefits from the level in effect immediately prior to the Change of Control, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof from the Eligible Employee; or

(iii) the Company's requiring the Eligible Employee to be employed at any location more than 35 miles further

from his principal residence than the location at which the Eligible Employee was employed immediately preceding the Effective Date.

1.13. "Permanent Disability" means an Eligible Employee's inability, by reason of any physical or mental impairment, to substantially perform the significant aspects of his or her regular duties, which inability is reasonably contemplated to continue for at least one (1) year from its incurrence.

1.14. "Plan" means the Loral Corporation Employment Protection Plan, as set forth herein and as amended from time to time.

1.15. "Severance Period" means the period commencing on the date of an Eligible Employee's Eligible Termination and continuing for a period of twenty-four months.

1.16. "Loral Companies" means the Company and its subsidiaries and affiliates, and any successor or successors thereto.

SECTION 2. EFFECT OF AN ELIGIBLE TERMINATION

2.1. If an Eligible Employee incurs an Eligible Termination, the Eligible Employee shall be entitled to all applicable benefits provided hereafter in this Section 2 or as otherwise set forth in this Plan.

(a) Salary and Bonus: Within two (2) business days after the date of his or her Eligible Termination, the Company shall pay or cause to be paid to the Eligible Employee a single lump sum amount, in cash, equal to two times the sum of

(1) the Eligible Employee's Annual Salary,

(2) the Eligible Employee's Annual Bonus, and

(3) an amount equal to the average annual compensation received by the Eligible Employee (determined as the sum of the amount includable as current income to the Eligible Employee for tax purposes plus any amount which would have been so includable but for a deferral election) under the Company's restricted stock plan over the three fiscal years prior to the Change of Control.

(b) Continued Welfare Benefits: Until the earlier of the end of an Eligible Employee's Severance Period or the date on which such Eligible Employee becomes employed by a new employer, the Company shall, at its expense, provide such Eligible Employee with medical, dental, life insurance, disability and accidental death and dismemberment benefits at the highest level provided to

such Eligible Employee during the period beginning immediately prior to the Change of Control and ending on the date of such Eligible Employee's Eligible Termination; provided, however, that if the Eligible Employee becomes employed by a new employer which maintains a major medical plan (or its equivalent) that either (i) does not cover the Eligible Employee with respect to a pre-existing condition which was covered under the Company's major medical plan, or (ii) does not cover the Eligible Employee for a designated waiting period, the Eligible Employee's coverage under the Company's major medical plan shall continue (but shall be limited in the event of noncoverage due to a preexisting condition, to the preexisting condition itself) until the earlier of the end of the applicable period of noncoverage under the new employer's plan or the end of the Severance Period. Following such Severance Period or the date of new employment, if earlier, the regular rights of an Eligible Employee to continuation of benefits under COBRA coverage, if any, shall apply.

(c) Payment of Accrued But Unpaid Amounts: Within two (2) business days after the date of his or her Eligible Termination, the Company shall pay the Eligible Employee (i) any unpaid portion of the Eligible Employee's bonus accrued with respect to the full calendar year ended prior to the date of the Eligible Termination, and (ii) all compensation earned or previously deferred by such Eligible Employee but not yet paid (including cash compensation for vacation days accrued but not taken as of the date of the Eligible Termination, based on the Annual Salary amount converted to a per diem equivalent in accordance with the Company's normal payroll practices as in effect prior to the change of Control).

(d) Payment for Other Reduced Severance Benefits. The amounts payable to an Eligible Employee under this Section 2 are supplemental to any other severance benefits to which the Eligible Employee is entitled under any severance plan or Plan of the Loral Companies in effect as of the Change of Control (collectively, "Other Severance Benefits"). In the event that an Eligible Employee's Other Severance Benefits are reduced or eliminated after the Change of Control, the amount otherwise payable to an Eligible Employee hereunder upon an Eligible Termination shall be increased by the amount of such reduction or elimination.

2.2. Maximum Benefits: Anything in Section 2.1 to the contrary notwithstanding, payments under Section 2.1 shall not exceed the maximum amount which can be paid to an Eligible Employee without causing such payments to be treated as "excess parachute payments" for purposes of Section 280G of the Code taking into account all payments made to the Eligible Employee which constitute "parachute payments" for purposes of Section 280G.

2.3. Mitigation: An Eligible Employee shall not be required to mitigate damages or the amount of any payment provided for

under this Plan by seeking other employment or otherwise, and compensation earned from such employment or otherwise shall not reduce the amounts otherwise payable under this Plan. No amounts payable under this Plan shall be subject to reduction or offset in respect of any claims which the Company or any member of the Loral Companies (or any other person or entity) may have against the Eligible Employee.

2.4. Withholding: The Company may, to the extent required by law, withhold applicable federal and state income, employment and other taxes from any payments due to any Eligible Employee hereunder.

SECTION 3. LIMITS ON AMENDMENT OR TERMINATION; EFFECT ON OTHER PLANS

3.1. This Plan shall terminate automatically and without further action by the Board upon the successful consummation of the Lockheed Martin Merger.

3.2. The Board may amend or terminate this Plan at any time; provided, however, that upon occurrence of a Change of Control, this Plan (expressly including, but not limited to, this Section 3) shall remain in effect, and may not be altered or amended in any way which would adversely affect the rights of any Eligible Employee hereunder, for at least three (3) years following the Change of Control, and for such additional time as may be necessary to give effect to the terms of the Plan as in effect at the Change of Control. Thereafter, the Board may amend or terminate this Plan in any manner which does not adversely affect the rights of any Eligible Employee who has incurred an Eligible Termination.

3.3 An Eligible Employee shall, after the date of his or her Eligible Termination, retain all rights (to the extent any such rights existed at any time prior to the Change of Control) to indemnification under applicable law or under the applicable Loral Companies' Certificate of Incorporation or By-Laws, as they may be amended or restated from time to time. In addition, to the extent coverage had been otherwise available to the Eligible Employee prior to the Change of Control, the Company shall maintain Director's and Officer's liability insurance on behalf of the Eligible Employee, at the level in effect immediately prior to the date of his or her Eligible Termination.

SECTION 4. ADMINISTRATION OF THE PLAN

4.1 The Committee shall be the Administrator of this Plan and shall have the exclusive right, power and authority to:

(a) interpret, in its sole discretion, any and all of the provisions of the Plan;

(b) establish a claims review procedure, if necessary and advisable; and

(c) consider and decide conclusively any questions (whether of fact or otherwise) arising in connection with the administration of the Plan or any claim for a benefit arising under the Plan.

Any decision or action of the Committee pursuant to this Section 4.1 shall be conclusive and binding.

4.2. The Company shall pay all costs and expenses, including attorneys' fees and disbursements, at least monthly, of any Eligible Employee in connection with any legal proceeding (including arbitration), whether or not instituted by a member of the Loral Companies or an Eligible Employee, relating to the interpretation or enforcement of any provision of this Plan, except that if such Eligible Employee instituted the proceeding and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Eligible Employee instituted the proceeding in bad faith, the Eligible Employee shall pay all costs and expenses, including attorney's fees and disbursements, of such Eligible Employee.

SECTION 5. MISCELLANEOUS

5.1 Neither the establishment of the Plan nor any action of the Company, any other member of the Loral Companies, the Committee, or any fiduciary shall be held or construed to confer upon any person any legal right to continued employment with the Company or with any member of the Loral Companies.

Nothing in the Plan shall be construed to prevent the Company or any member of the Loral Companies from terminating an Eligible Employee's employment for Cause. If an Eligible Employee is terminated for Cause, the Company shall have no obligation to make any payments under this Plan, except for payments that may otherwise be payable under then existing Employee benefit plans, Plans and arrangements of the Company or of any other member of the Loral Companies.

5.2. Benefits payable under the Plan shall be paid out of the general assets of the Company. The Company is not required to fund the benefits payable under this Plan; provided, however, nothing in this Section 5.2 shall be interpreted as precluding the Company from funding or setting aside amounts in anticipation of paying any such benefits.

5.3. Benefits payable under the Plan shall not be subject to assignment, alienation, transfer, pledge, encumbrance, commutation or anticipation by any Eligible Employee. Any attempt to assign, alienate, transfer, pledge, encumber, commute or anticipate Plan benefits shall be void. In addition, no rights or interest under the Plan shall be in any manner subject

to levy, attachment or other legal process to enforce payment of any claim against any Eligible Employee except to the extent required by law.

5.4. Except as otherwise provided herein, this Plan shall be binding upon, inure to the benefit of and be enforceable by the Company and the Eligible Employees and their respective heirs, legal representatives, successors and assigns. If the Company shall be merged into or consolidated with another entity, the provisions of this Plan shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation, and such provisions shall also be binding upon and inure to the benefit of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, and such successor shall assume and perform the obligations, responsibilities and liabilities to which the Company or any member of the Loral Companies is subject under this Plan in the same manner and to the same extent that the Company or any member of the Loral Companies would be required to perform if no such succession had taken place. The provisions of this Section 5.4 shall continue to apply to each subsequent employer of any Eligible Employee in the event of any subsequent merger, consolidation or transfer of assets of any such subsequent employer.

5.5. This Plan shall be governed by and construed in accordance with the laws of the State of New York (without reference to rules relating to conflicts of laws), except to the extent superseded by applicable federal law.

5.6. Any action required or permitted to be taken by the Company under this Plan shall be taken by the Board or by the Committee, or any designee of the Committee pursuant to Section 4, in each case subject to the limits on amendment and termination contained in Section 3 hereof.

5.7. Entitlement to any benefits under this Plan is expressly subject to and conditioned upon the Eligible Employee agreeing to and signing (i) a customary exit letter that may contain confidentiality, future cooperation and other provisions, if requested, and (ii) the Company's standard form general release of employment and other claims that the Eligible Employee may have.

LORAL CORPORATION

SUPPLEMENTAL SEVERANCE PROGRAM

(EFFECTIVE JANUARY 7, 1996)

LORAL CORPORATION
SUPPLEMENTAL SEVERANCE PROGRAM

(Effective January 7, 1996)

Loral Corporation (the "Company") believes that the best interests of the Company and its shareholders will be served if certain key employees who have historically been engaged in or associated with the operations of the Company are encouraged to remain with the Company after the consummation of the Offer for the Common Stock of the Company pursuant to the Agreement and Plan of Merger Dated as of January 7, 1996 By and Among the Company, Lockheed Martin Corporation and LAC Acquisition Corporation (the "Merger Agreement"). Accordingly, the Company hereby establishes this "Loral Corporation Supplemental Severance Program" (the "Program") for the benefit of such key employees.

SECTION 1. DEFINITIONS

In addition to the terms defined in the preceding paragraph, the following definitions shall apply for purposes of the Program.

1.1. "Annual Salary" means an Eligible Employee's annual rate of base salary as in effect immediately prior to the Effective Date.

1.2. "Board" means the Board of Directors of Lockheed Martin.

1.3. "Cause" means any of the following, other than due to an Eligible Employee's Permanent Disability or death:

(a) an Eligible Employee's continuing willful neglect of, or refusal to perform, the duties required or associated with the Eligible Employee's employment;

(b) an Eligible Employee's willful disclosure of confidential information or trade secrets of Lockheed Martin which results in material harm to the business or reputation of Lockheed Martin;

(c) conviction of a felony, or a misdemeanor involving dishonesty, fraud, theft, larceny, or embezzlement, or any Federal offense of the type described in Article 14 of the Administrative Agreement between Lockheed Martin and the United States Air Force dated June, 1995; or

(d) a violation of Lockheed Martin's Standards of Conduct and Code of Ethics, which shall be provided to each Eligible Employee.

1.4. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.5. "Committee" means the Committee of the Board designated to administer the Plan.

1.6. "Company" means the Loral Corporation and any successor or successors thereto.

1.7. "Company Board" means the Board of Directors of the Company.

1.8. "Effective Date" means the date of the successful consummation of the Offer as set forth in the Merger Agreement.

1.9. "Eligible Employee" means each full-time employee of either the Company or another Loral Company selected by the Company Board prior to the Effective Date for participation in the Program.

1.10. "Eligible Termination" means an involuntary termination of employment without Cause (other than by reason of Permanent Disability or death), or a resignation for Good Reason, which occurs on or within the two-year period following the Effective Date; provided, however, that the transfer of employment to another employer that is a member of the Lockheed Martin Companies shall not in itself constitute an Eligible Termination (but any such transfer will not preclude another or accompanying event or reason from constituting or causing an Eligible Termination, and the protections of the Program and corresponding obligations of the Company will remain in effect following any such transfer of employment).

1.11. "Good Reason" means any one or more of the following actions, without an Eligible Employee's express prior written consent or approval, other than due to an Eligible Employee's Permanent Disability or death:

(a) any removal of the Eligible Employee from any of the positions he or she holds immediately prior to a Change of Control or an elimination of any such positions, when the effect of such removal or elimination is a material diminution of status, responsibilities or duties, or any lowering of job grade, excluding for this purpose a removal from responsibility for, or involvement with, U.S. Government business affairs which removal is mandated by reason of an indictment, suspension or proposed debarment of the type described in Article 14 of the

Administrative Agreement between Lockheed Martin and the United States Air Force dated June, 1995; or

(b) any reduction of an Eligible Employee's Annual Salary.

1.12. "Permanent Disability" means an Eligible Employee's inability, by reason of any physical or mental impairment, to substantially perform the significant aspects of his or her regular duties, which inability is reasonably contemplated to continue for at least one (1) year from its incurrence.

1.13. "Offer" means the Offer as defined in Section 1.1(a) of the Merger Agreement.

1.14. "Program" means the Loral Corporation Supplemental Severance Program, as set forth herein and as amended from time to time.

1.15. "Severance Period" means the period commencing on the date of an Eligible Employee's Eligible Termination and continuing for a period of twelve months.

1.16. "Lockheed Martin" means Lockheed Martin Corporation.

1.17. "Lockheed Martin Companies" means Lockheed Martin and its subsidiaries and affiliates, and any successor or successors thereto.

1.18. "Target Bonus" means the annual bonus which would be payable to an Eligible Employee for the calendar year in which an Eligible Termination occurs, calculated on the assumption that the Eligible Employee and one or more Loral Companies or the Lockheed Martin Companies (or those entities or business units within the Loral Companies or the Lockheed Martin Companies) on whose performance the eligible Employee's bonus depends achieve the applicable target performance goals established under the applicable bonus plan with respect to that year. If no target performance goals for the year in which the Eligible Termination occurs have been set prior to the Eligible Termination, the Target Bonus shall be determined by substituting, in the previous sentence, the highest annual bonus paid to the Eligible Employee during the three years immediately preceding the year in which an Eligible Termination occurs.

1.19. "Loral Companies" means the Company and its subsidiaries and affiliates, and any successor or successors thereto.

SECTION 2. EFFECT OF AN ELIGIBLE TERMINATION

2.1. If an Eligible Employee incurs an Eligible Termination, the Eligible Employee shall be entitled to all applicable benefits provided hereafter in this Section 2 or as otherwise set forth in this Program.

(a) Payment of Salary Amount: Within twenty (20) business days after the date of his or her Eligible Termination, the Company shall pay or cause to be paid to the Eligible Employee a single lump sum amount, in cash, equal to the sum of (i) the Eligible Employee's Annual Salary, and (ii) the Eligible Employee's Target Bonus.

(b) Welfare Benefits: Within thirty (30) days after the date of his or her Eligible Termination, the Company shall pay to the Eligible Employee a single lump amount equal to the full cost of coverage for such Eligible Employee (taking into account any special medical or other conditions applicable to such Eligible Employee) during the Severance Period (or, if the Eligible Employee is provided with such coverage at no additional cost to him or her under any other severance plan or arrangement, for the period from the date such coverage terminates until the end of the Severance Period) for medical, dental, life insurance, disability and accidental death and dismemberment benefits at the level provided to such Eligible Employee immediately prior to such Eligible Termination.

(c) Payment of Accrued But Unpaid Amounts: Within twenty (20) business days after the date of his or her Eligible Termination, the Company shall pay the Eligible Employee any unpaid portion of the Eligible Employee's bonus accrued with respect to the full calender year ended prior to the date of the Eligible Termination and all compensation earned by such Eligible Employee but not yet paid (including cash compensation for vacation days accrued but not taken as of the date of the Eligible Termination, based on the Annual Salary amount converted to a per diem equivalent in accordance with the Company's normal payroll practices as in effect prior to the Effective Date), except that any compensation deferred by the Eligible Employee under any qualified or non-qualified deferred compensation plans shall be paid in accordance with the terms and provisions of such plans.

(d) Payment for Other Reduced Severance Benefits. The amounts payable to an Eligible Employee under this Section 2 are supplemental to any other severance benefits to which the Eligible Employee is entitled under any severance plan or program of the Loral Companies in effect as of the Effective Date (collectively, "Other Severance Benefits"). In the event that an Eligible Employee's Other Severance Benefits are reduced or eliminated after the Effective Date without his or her written

consent, the amount otherwise payable to an Eligible Employee hereunder upon an Eligible Termination shall be increased by the amount of such reduction or elimination.

2.2. Maximum Benefits: Anything in Section 2.1 to the contrary notwithstanding, payments under Section 2.1 shall not exceed the maximum amount which can be paid to an Eligible Employee without causing such payments to be treated as "excess parachute payments" for purposes of Section 280G of the Code taking into account all payments made to the Eligible Employee which constitute "parachute payments" for purposes of Section 280G.

2.3. Mitigation: An Eligible Employee shall not be required to mitigate damages or the amount of any payment provided for under this Program by seeking other employment or otherwise, and compensation earned from such employment or otherwise shall not reduce the amounts otherwise payable under this Program. No amounts payable under this Program shall be subject to reduction or offset in respect of any claims which the Company or any member of the Loral Companies (or any other person or entity) may have against the Eligible Employee.

2.4. Withholding: The Company may, to the extent required by law, withhold applicable federal and state income, employment and other taxes from any payments due to any Eligible Employee hereunder.

SECTION 3. LIMITS ON AMENDMENT OR TERMINATION; EFFECT ON OTHER PLANS

3.1. The Company Board may terminate this Program prior to the Effective Date. As of the Effective Date, this Program (expressly including, but not limited to, this Section 3) shall remain in effect, and may not be altered or amended in any way which would adversely affect the rights of any Eligible Employee hereunder, for at least two (2) years following the Effective Date, and for such additional time as may be necessary to give effect to the terms of the Program as in effect at the Effective Date. Thereafter, the Company may amend or terminate this Program in any manner which does not adversely affect the rights of any Eligible Employee who has incurred an Eligible Termination.

3.2. An Eligible Employee shall, after the date of his or her Eligible Termination, retain all rights (to the extent any such rights existed at any time prior to the Effective Date) to indemnification under applicable law or under the applicable Loral Companies' Certificate of Incorporation or By-laws, as they may be amended or restated from time to time. In addition, to the extent coverage had been otherwise available to the Eligible

Employee prior to the Effective Date, the Company shall maintain Director's and Officer's liability insurance on behalf of the Eligible Employee, at the level in effect immediately prior to the date of his or her Eligible Termination.

SECTION 4. ADMINISTRATION OF THE PROGRAM

4.1. The Committee shall be the Administrator of this Program and shall have the exclusive right, power and authority to:

(a) interpret, in its sole discretion, any and all of the provisions of the Program;

(b) establish a claim review procedure, if necessary and advisable; and

(c) consider and decide conclusively any questions (whether of fact or otherwise) arising in connection with the administration of the Program or any claim for a benefit arising under the Program.

Any decision or action of the Committee pursuant to this Section 4.1 shall be conclusive and binding.

SECTION 5. MISCELLANEOUS

5.1. Neither the establishment of the Program nor any action of the Company, any other member of the Loral Companies or the Lockheed Martin Companies, the Committee, or any fiduciary shall be held or construed to confer upon any person any legal right to continued employment with the Company or with any member of the Loral Companies or the Lockheed Martin Companies.

Nothing in the Program shall be construed to prevent the Company or any member of the Loral Companies or the Lockheed Martin Companies from terminating an eligible Employee's employment for Cause. If an Eligible Employee is terminated for Cause, the Company shall have no obligation to make any payments under this Program, except for payments that may otherwise be payable under then existing employee benefit plans, programs and arrangements of the Company or of any other member of the Loral Companies or the Lockheed Martin Companies.

5.2 Benefits payable under the Program shall be paid out of the general assets of the Company. The Company is not required to fund the benefits payable under this Program; provided, however, nothing in this Section 5.2 shall be interpreted as

precluding the Company from funding or setting aside amounts in anticipation of paying any such benefits.

5.3. Benefits payable under the Program shall not be subject to assignment, alienation, transfer, pledge, encumbrance, commutation or anticipation by any Eligible Employee. Any attempt to assign, alienate, transfer, pledge, encumber, commute or anticipate Program benefits shall be void. In addition, no rights or interest under the Program shall be in any manner subject to levy, attachment or other legal process to enforce payment of any claim against any Eligible Employee except to the extent required by law.

5.4. Except as otherwise provided herein, this Program shall be binding upon, inure to the benefit of and be enforceable by the Company and the Eligible Employees and their respective heirs, legal representatives, successors and assigns. If the Company shall be merged into or consolidated with another entity, the provisions of this Program shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation, and such provisions shall also be binding upon and inure to the benefit of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, and such successor shall assume and perform the obligations, responsibilities and liabilities to which the Company or any member of the Loral Companies is subject under this Program in the same manner and to the same extent that the Company or any member of the Loral Companies would be required to perform if no such succession had taken place. The provisions of this Section 5.4 shall continue to apply to each subsequent employer of any Eligible Employee in the event of any subsequent merger, consolidation or transfer of assets of any such subsequent employer.

5.5 This Program shall be governed by and construed in accordance with the laws of the State of New York (without reference to rules relating to conflicts of laws), except to the extent superseded by applicable federal law.

5.6. Any action required or permitted to be taken by the Company under this Plan shall be taken by the Company Board, the Board or by the Committee, or any designee of the Committee pursuant to Section 4, in each case subject to the limits on amendment and termination contained in Section 3 hereof.

5.7. Entitlement to any benefits under this Program is expressly subject to and conditioned upon the Eligible Employee agreeing to and signing (i) a customary exit letter that may contain confidentiality, future cooperation and other provisions, if requested, and (ii) the Company's standard form general

release of employment and other claims that the Eligible Employee may have.

LORAL CORPORATION SUPPLEMENTAL BONUS PROGRAM

Purpose

The purpose of the Loral Corporation Supplemental Bonus Program (the "Program") is to provide supplemental bonus compensation to selected key executives of Loral Corporation (the "Company") in recognition of their dedication, service and contributions to the Company's business. Bonuses will be paid under the Program in connection with the successful consummation of the offer (the "Offer") described in Section 1.1(a) of the Agreement and Plan of Merger dated as of January 7, 1996 By and Among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation.

Participation

Key employees of the Company and its subsidiaries who are selected by the Company's Chief Executive Officer (the "CEO") or his designee ("Eligible Employees") shall be eligible to receive bonuses under the Program. The CEO shall not be paid a bonus under the Program.

Amount of Bonus

The amount of bonus compensation to be paid to an Eligible Employee (the "Bonus Award") shall be determined by the CEO. The aggregate amount of Bonus Awards payable pursuant to the Program shall not exceed the difference between (i) $40 million, and (ii) the cash amount actually paid to the CEO pursuant to Section 5 of his Restated Employment Agreement with the Company dated April 1, 1990, as amended June 14, 1994, as a result of the consummation of the Offer.

Obligation to Pay Bonuses

Effective as of the successful consummation of the Offer, the Company shall have a binding obligation to pay Bonus Awards to the Eligible Employees who have been selected for participation in the Program, in the amounts determined by the CEO. Such obligation shall be binding upon any successor of the Company. Bonus Awards shall be paid to Eligible Employees immediately prior to, contemporaneously with, or as soon as practicable after, the successful consummation of the Offer; provided, that, the Board of Directors may approve arrangements for the deferral of such payments in its discretion.

Effective Date

The Program is effective as of January 7, 1996.

Amendment and Termination

Prior to the successful consummation of the Offer, the Board of Directors of the Company may amend or terminate the Program in any respect, with or without the consent of any Eligible Employee; provided, however, that as of the successful consummation of the Offer, the Program may not be amended or terminated in any manner which would reduce or otherwise

adversely affect the Bonus Award payable to any Eligible Employee without such Eligible Employee's express written consent.

EXHIBIT 99(c)(10)

LORAL SUPPLEMENTAL EXECUTIVE

RETIREMENT PLAN

Informally Known As

The Loral SERP

Effective April 1, 1995

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INTRODUCTION

In response to certain limitations under the Internal Revenue Code, as amended, on the maximum amount of compensation that can be taken into account and the maximum amount of benefits that can be paid from a qualified benefit plan, Loral Corporation ("Loral") has adopted this Plan effective April 1, 1995 to permit employees and their beneficiaries to be able to enjoy the benefits that would have been provided to them but for these limitations. The Plan shall be known as the Loral Supplemental Executive Retirement Plan, or the Loral SERP, and reads as follows:

Article I -- Definitions

The following terms shall have the designated meaning, unless a different meaning is clearly required by the context:

1.1 Annuity Starting Date.

Subject to Section 2.5, "Annuity Starting Date" shall mean:

(a) generally, the "Annuity Starting Date" defined in the Basic Plan, provided that the Participant is fully vested under Article IV, and Proper Application has been made.
(b) With respect to any lump sum, the first day of the month coincident with or next following the date as of which the Participant is both (1) eligible to receive Plan payment and (2) has completed his Proper Application.
(c) With respect to any one of a series of payments over the life or life expectancy of one or more distributees, the first day of the month for which the Plan benefit is paid, even if this date is not the date of actual payment.
(d) The term "Annuity Starting Date" shall be determined with respect to Plan payments made to the Participant, rather than with respect to any survivor benefit payments.
(e) The term "Annuity Starting Date" shall, in all events, be defined by Code Regulation Section

1.401(a)-20.

1.2 Basic Plan.

The qualified defined benefit pension plan sponsored by Loral (or its subsidiaries or affiliates) in which an employee participates. If an employee has an interest in more than one such plan, then the term "Basic Plan" shall refer to such plans collectively except as the context shall otherwise require.

1.3 Basic Plan Benefit.

The amount accrued by a Participant from a Basic Plan.

1.4 Beneficiary.

Beneficiary means the person, trust, estate, or other entity entitled to receive benefits (if any) after the Participant's death under the Plan, which Beneficiary shall be the same as the Participant's beneficiary under the Basic Plan.

1.5 Board.

The Board of Directors of Loral Corporation or the Executive Committee thereof.

1.6 Code.

The Internal Revenue Code of 1986, as amended from time to time, and all appropriate regulations and administrative guidance.

1.7 Committee.

The administrative Committee appointed to administer the Plan pursuant to Article III.

1.8 ERISA.

The Employee Retirement Income Security Act of 1974, as amended, and all appropriate regulations and administrative guidance.

1.9 Loral.

Loral Corporation, and depending on the context, its subsidiaries or affiliates. Loral shall act by resolution of the Board.

1.10 Participant.

A Participant in a Basic Plan who accrues benefits thereunder on or after April 1, 1995 and whose Basic Plan Benefit is limited by (S) 415 of the Code or whose compensation for purposes of calculating a Basic Plan Benefit is limited by (S) 401(a)(17) of the Code. As context demands, the term "Participant" shall also include a former Participant.

1.11 Plan.

This Loral Supplemental Executive Retirement Plan, as amended, and as from time to time in effect.

1.12 Proper Application.

For all Plan purposes, making any election, granting any consent, giving any notice or information, and making any communication whatsoever to the Committee or its delegates, in compliance with all Plan procedures, on forms provided by the Committee, and providing all information required by the

Committee. A Proper Application will be deemed to have been made only if it is properly completed, as determined by the Committee.

1.13 QDRO or Qualified Domestic Relations Order.

A QDRO shall mean an order as defined in Code Section 414(p) and ERISA Section 206(d)(3), and shall be subject to all administrative rules established under the Basic Plan. The Committee shall have full discretionary authority to determine whether any court order is a QDRO.

1.14 Trust Agreement or Trust.

The document executed by Loral and by the Trustee fixing the rights and liabilities of each with respect to holding assets to be used to pay Plan benefits, should any such assets be held in the Trust. The Trust is established pursuant to Loral's intention that the Plan shall be an unfunded plan, as detailed in Section 5.4.

1.15 Trustee.

The trustee or trustees that may, from time to time, be in office, pursuant to the Trust Agreement.

Article II - Benefits

2.1 Amount of Benefits.

The benefit payable from this Plan shall be in the form of a monthly annuity equal to the amount determined under Section 2.1.1 minus the amount determined under Section 2.1.2. Subject to Section 2.2, such benefit shall be payable as of the Participant's Annuity Starting Date and continue for the remainder of the Participant's life.

2.1.1. Formula Benefit. The benefit that would be payable to a Participant under the Basic Plan, in the form elected by the Participant pursuant to the provisions of the Basic Plan, irrespective of any limitations imposed by (S) 415 or (S) 401(a)(17) of the Code.

2.1.2 Actual Benefit. The Basic Plan Benefit actually paid to the Participant in whichever form he elects, after compliance with (S)(S) 415 and 401(a)(17) of the Code, plus any additional benefits paid to the Participant under any non-qualified defined benefit plan (besides this Plan) sponsored by Loral or any of its subsidiaries or affiliates.

If benefits under the Basic Plan are increased as a result of an increase in the limitations under Code (S)(S) 415 or 401(a)(17) (or corresponding provisions of applicable law), benefits under this Plan shall be reduced by the amount of any such increase.

2.2 Post-Retirement Death Benefits.

Upon the death of the Participant after his Annuity Starting Date, benefits will continue to be paid to such Participant's Beneficiary in an amount equal to the benefit determined under Section 2.1 multiplied by a fraction, the numerator of which is the benefit payable from the Basic Plan after the Participant's death, and the denominator of which is the benefit payable from the Basic Plan immediately before the Participant's death. No amount will be paid after the Participant's death under this Plan if no such benefits are paid under the Basic Plan.

2.3 Pre-Retirement Death Benefits.

Upon the death of the Participant prior to his Annuity Starting Date, his Beneficiary shall receive a benefit equal to the difference between the benefit received by such Beneficiary under the Basic Plan and the benefit that would have been paid under the Basic Plan irrespective of any limitations imposed by (S)(S) 415 or 401 (a)(17) of the Code. No amount will be paid under this Plan on account of the Participant's death prior to his Annuity Starting Date unless such benefits are paid under the Basic Plan.

2.4 Special Rules.

The following rules shall apply notwithstanding any other provision of this Plan.

2.4.1 Small Benefit Cashout. If the actuarial present value (utilizing the assumptions set forth in the small benefit cashout provisions of the Basic Plan) of a Participant's benefit under Section 2.1 or a Beneficiary's benefit under Section 2.3 is $3,500 or less, payment will be made from this Plan in a single lump sum as soon as practicable after the Annuity Starting Date (with respect to a benefit paid pursuant to Section 2.1) and the death of the Participant (with respect to a benefit paid pursuant to Section 2.3).

2.4.2 Lump Sum Benefit Limitation. Unless special approval of the Committee is obtained, and except for benefits paid pursuant to Section 2.4.1, no benefits under this Plan shall be paid in a lump sum. Accordingly, if any benefits are paid under the Basic Plan to a Participant in a lump sum, the amount payable under this Plan pursuant to the methodology set forth in Section 2.1 shall nevertheless be paid in the form of a straight life annuity for the Participant, beginning on the Annuity Starting Date and ending with the payment for the month in which the Participant dies.

2.4.3 No insured Death Benefit. No benefit pursuant to Section 2.3 shall be paid with respect to any death benefit under the Basic Plan which is provided by insurance, to the extent that such benefit exceeds the minimum benefit required to be provided under the Basic Plan

under Code (S) 401(a)(11).

2.5 Benefits under Multiple Qualified Plans.

The following rules shall apply if a Participant has a benefit under more than one Basic Plan:

2.5.1 Different Annuity Starting Dates. Benefits under this Plan shall be payable as of the Participant's earliest Annuity Starting Date under all such Basic Plans. In the event that the Participant has benefits payable under different Basic Plans, with different Annuity Starting Dates, then the amount of his benefit under this Plan shall initially be determined based only on the Basic Plans for which the Participant's Annuity Starting Date has occurred, as though such Plans were the only Basic Plans in which the Participant had accrued a benefit. When benefits later begin under the other Basic Plans, benefits hereunder shall be increased to reflect the intent of this Plan to fully make up to the Participant the benefits he had not received under all Basic Plans, as a result of the Code's limitations.

2.5.2 Same Annuity Starting Dates. If a Participant's Annuity Starting Date is the same under all Basic Plans, then benefits under this Plan shall generally be payable as of such date, provided the Participant is fully vested under Article IV, and that Proper Application has been made.

2.5.3 Death Benefits. If benefits are paid under the Basic Plans in different forms, the death benefits pursuant to Section 2.2 shall be determined with respect to each individual plan.

Article III--Administration; Accrued Benefits; Right to Amend

3.1 Committee's Discretionary Power to Interpret and Administer the Plan

3.1.1 Appointment. The Committee shall be appointed from time to time by the Board to serve at its pleasure. Any member of the Committee may resign by delivering his written resignation to the Board.

3.1.2 Role under ERISA. The Committee is the "named fiduciary" for operation and administration of the Plan, and the "administrator" under ERISA. The Committee is designated as agent for service of legal process.

3.1.3 Committee establishes Plan procedures. The Committee and its delegates shall from time to time establish rules and procedures for the administration and interpretation of the Plan and the transaction of its business.

3.1.4 Role of Human Resource and Benefits Personnel. Employees of Loral and its subsidiaries and affiliates who are human resources personnel or benefits representatives are the Committee's delegates and shall, under the authority of the Committee, perform the routine administration of the Plan, such as distributing and collecting forms and providing information about Plan procedures. They shall also establish Plan rules and procedures.

3.1.5 Discretionary Power to Interpret Plan.

3.1.5.1 The Committee has complete discretionary and final authority to (1) determine all questions concerning eligibility, elections, contributions, and benefits under the Plan, (2) construe all terms under the Plan and the Trust, including any uncertain terms, and (3) determine all questions concerning Plan administration. All administrative decisions made by the Committee, and all its interpretations of the Plan documents, shall be given full deference by any court of law.

3.1.5.2 Information that concerns an interpretation of the Plan or a discretionary determination, can be properly provided only by the Committee, and not by any delegate (other than legal counsel).

3.1.5.3 Should any individual receive oral or written information concerning the Plan, which is contradicted by a subsequent determination by the Committee, then the Committee's final determination shall control.

3.2 Rules of the Committee.

3.2.1 Any act which the Plan authorizes or requires the Committee to do may be done by a majority of

its members. The action of such majority, shall constitute the action of the Committee and shall have the same effect for all purposes as if made by all members of the Committee at the time in office. The Committee may act without any writing that records its decisions, and need not document its meetings or teleconferences. The Committee may also act through any authorized representative.

3.2.2 The members of the Committee may authorize one or more of their number to execute or deliver any instrument, make any payment or perform any other act which the Plan authorizes or requires the Committee to do.

3.2.3 The Committee may employ counsel and other agents and may procure such clerical, accounting, actuarial and other services as they may require in carrying out the provisions of the Plan. Legal counsel are authorized as the Committee's delegates.

3.2.4 No member of the Committee shall receive any compensation for his services as such. All expenses of administering the Plan, including, but not limited to, fees of accountants, counsel and actuaries shall be paid by Loral, to the extent that they are not paid under the Trust.

3.2.5 Each member of the Committee may delegate Committee responsibilities among Loral directors, officers, or employees, and may consult with or hire outside experts.

The expenses of such experts shall be paid by Loral, to the extent that they are not paid under the Trust.

3.3 Claims Procedure.

3.3.1 The Committee shall determine Participants' and Beneficiaries' rights to benefits under the Plan. In the event that a Participant or Beneficiary disputes an initial determination made by the Committee, then he may dispute the determination only by filing a written claim for benefits.

3.3.2 If a claim is wholly or partially denied, the Committee shall provide the claimant with a notice of denial, generally within 90 days of receipt, written in a manner calculated to be understood by the claimant and setting forth:

3.3.2.1 The specific reason(s) for such denial;

3.3.2.2 Specific references to the pertinent Plan provisions on which the denial is based;

3.3.2.3 A description of any additional material or information necessary for the claimant to perfect the claim with an explanation of why such material or information is necessary (if applicable); and

3.3.2.4 Appropriate information as to the steps to be taken if the claimant wishes the Committee to revise its initial denial. The notice of denial shall be given within a reasonable time period but no later than 90 days after the claim is received, unless circumstances require an extension of time for processing the claim. If such extension is required, written notice shall be furnished to the claimant within 90 days of the date the claim was received stating that an extension of time and the date by which a decision on the claim can be expected, which shall be no more than 180 days from the date the claim was filed.

3.3.2.5 If no written notice of denial is provided by the Committee, then the claim shall be deemed to be denied, and the claimant may appeal the claim as though the claim had been denied.

3.3.3 The claimant and/or his representative may appeal the denied claim and may:

3.3.3.1 Request a review by making a written request to the Committee provided that such a request is made, within 65 days of the date of the notification of the denied claim;

3.3.3.2 Review pertinent documents.

3.3.4 Upon receipt of a request for review, the Committee shall within a reasonable time period but not later than 60 days after receiving the request, provide written notification of its decision to the claimant stating the specific reasons and referencing specific plan provisions on which its decision is based, unless special circumstances require an extension for processing the review. If such an extension is required, the Committee shall notify the claimant of the date, no later than 120 days after receiving the request for review, on which the Committee will notify the claimant of its decision.

3.3.5 In the event of any dispute over benefits under this Plan, all remedies available to the disputing individual under this Article must be exhausted, within the specified deadlines, before legal recourse of any type is sought.

3.4 QDRO Claim.

Claims relating to or affected by a domestic relations order as defined by Code S 414(p) ("QDROs") or draft order shall be determined under the Basic Plan Committee's procedures concerning domestic relations orders. The claims procedure described in the preceding section shall not apply to any such domestic relations order claim.

3.5 Indemnification of Committee Members.

To the fullest extent permitted by law, Loral agrees to indemnify, to defend, and hold harmless the members of the Committee and its delegates, individually and collectively, against any liability whatsoever for any action taken or omitted by them in good faith in connection with this Plan or their duties hereunder and for any expenses or losses for which they may become liable as a result of any such actions or non-actions unless resultant from their own willful misconduct; and Loral will purchase insurance for the Committee and its delegates to cover any of their potential liabilities with regard to the Plan.

3.6 Power to Execute Plan and Other Documents.

The Vice President of Administration of Loral Corporation shall have the authority to execute governmental filings or other documents relating to the Plan (including the Plan document), or this authority may be delegated to another officer or employee of Loral or a subsidiary or affiliate, by either the Vice President of Administration of Loral Corporation or the Board.

3.7 Conclusiveness of Records.

In administering the Plan, the Committee may conclusively rely upon the Basic Plan employer's payroll and personnel records maintained in the ordinary course of business.

3.8 No Personal Liability.

No Committee member or delegate shall be personally liable by reason of any contract or other instrument executed by him or on his behalf in his capacity as a member or delegate of a committee nor for any mistake of judgment made in good faith, and Loral shall indemnify and hold harmless each member of the Committee and each other officer, employee, or director of Loral to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expenses (including counsel fees) or liability (including any sum in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith.

3.9 How Plan Benefits are Accrued.

Benefits that would be accrued under the Basic Plan, but for the limiting provisions of Code (S)(S) 415 and/or 401(a)(17), shall be deemed to be accrued under the Plan.

3.10 Right to Amend.

3.10.1 General Power to Amend. The Board may at any time amend the Plan in any respect or suspend or terminate the Plan in whole or in part without the consent of any Participant or Beneficiary or any subsidiary of Loral whose employees are covered by this Plan, subject to Section 3.10.2. Any such amendment, suspension or termination may be made with or without retroactive effect, save as provided

in Section 3.10.2.

3.10.2 No Cut-Back of Accrued Benefits.

Notwithstanding the previous Section 3.10.1, this Plan may not be amended or terminated in any respect that has the effect of reducing or eliminating any Plan benefit that had accrued as of the effective date of the amendment or termination, unless the affected Participants or Beneficiaries each gives his consent. That is, there shall be no retroactive cut-backs of accrued Plan benefits, without individual consent.

Article IV--Vesting and Forfeiture

4.1 Vesting.

4.1.1. A Participant shall be entitled to a benefit under this Plan only upon satisfying the vesting requirements set out in this Section 4.1.

4.1.2. Vesting, as defined by this Section 4.1, shall occur only when the Participant has (i) satisfied the vesting requirements of the Basic Plan and made any contributions that are required to receive benefits under the Basic Plan, (ii) terminated employment with Loral, (iii) satisfied all eligibility requirements for benefits under this Plan, and (iv) applied and received Committee approval to receive Plan benefits, with respect to the forfeiture issues addressed by Section 4.1.3.

4.1.3. A Participant shall not be fully vested under this Section 4.1 until, following his termination and application for Plan benefits, the Committee has determined that he is not subject to forfeiture of his Plan benefits under this Section 4.1. Forfeiture of all Plan benefits (including death benefits and Plan benefits previously paid) under this Section 4.1 shall take place, notwithstanding any contrary Plan provision, if a Participant: (i) is Dismissed for Cause, as defined in Section 4.2, (ii) becomes employed by a company in substantial competition with Loral, or (iii) engages in conduct detrimental or contrary to the best interests of Loral.

4.2 Dismissed for Cause.

"Dismissed for Cause" means termination of employment for (a) theft, embezzlement, or malicious destruction of Loral's property; (b) fraud or other wrongdoing against Loral; or (c) improper disclosure of Loral's trade secrets.

4.3 Forfeiture after Plan Benefits have Commenced.

Even though the Committee has made an initial favorable vesting determination under Section 4.1., it may nevertheless determine that a Participant's Plan benefits, after payment has commenced, are forfeited, if the Committee reconsiders the issues addressed in Section 4.1.3 and determines that forfeiture is in fact warranted. Such a forfeiture shall be effective as of the date that the Committee determines the events of forfeiture have occurred, as set out in Section 4.1.3. The Committee may therefore make a retroactive forfeiture determination. Any Plan benefits that have been paid after the effective date of the retroactive forfeiture determination shall be considered a mistaken payment under Section 5.11.

4.4 Determination by Committee.

The Committee shall have full, final, and discretionary authority to make determinations under this Article IV. Any forfeiture determination made by the Committee shall be final, binding and conclusive upon the Participant and his Beneficiaries.

Article V - General Provisions

5.1 No Assignment or Alienation of Benefits.

Subject to Sections 2.2 and 2.3, and to any QDROs, payment of benefits pursuant to this Plan shall be made only to Participants. Such benefits shall not be subject in any manner to the debts or other obligations of the person to whom they are payable and shall not be subject to transfer, anticipation, sale, assignment, bankruptcy, pledge, attachment, charge or encumbrance in any manner, either voluntarily or involuntarily.

5.2 Withholding Taxes.

Whenever under the Plan payment is made to a Participant or beneficiary, Loral shall be entitled to require as a condition of payment that the recipient remit an amount, sufficient in Loral's opinion, to satisfy all FICA, federal and other withholding tax requirements related thereto. Loral shall be entitled to deduct such amount from any payment.

5.3 No Right to Continue Employment.

This Plan is voluntary on the part of Loral and shall not be deemed to constitute an employment contract between Loral and a Participant and/or consideration for or an inducement for or condition of employment of any Participant. Nothing in this Plan shall be deemed to give any employee the right to be retained in the service of Loral or to interfere with the right of Loral to discharge, terminate or lay off any Participant at any time for any reason.

5.4 Unfunded Plan.

The Plan is intended to constitute an unfunded, nonqualified pension plan for a select group of management or highly compensated employees, for the purposes of ERISA.

5.5 Governing Law.

It is intended that the Plan conform to and meet the applicable requirements of ERISA and the Code. Except to the extent preempted by ERISA, the validity of the Plan or of any of its provisions shall be determined under, and it shall be construed and administered according to, the laws of the State of New York (including its statute of limitations and all substantive and procedural law, and without regard to its conflict of laws provisions).

5.6 Payment of Benefits.

All benefits payable under the Plan shall be paid under the Trust Agreement. The rights or entitlement of any Participant or Beneficiary shall be no greater than those of an unsecured general creditor of Loral, subject to the Trust Agreement.

5.7 Section Headings.

The section headings contained in the Plan are for purposes of convenience only and are not intended to define or limit the contents of said sections.

5.8 Payment to a Minor or Incompetent.

If any amount is payable under this Plan to a minor or other legally incompetent person, such amount may be paid in any one or more of the following ways, as the Committee in its sole discretion shall determine:

5.8.1 To the legal representatives of such minor or other incompetent person;

5.8.2 Directly to such minor or other incompetent person;

5.8.3 To a parent or guardian of such minor or other incompetent person, to the person with whom such minor or other incompetent person shall reside, or to a custodian for such minor under the Uniform Gifts to Minors Act (or similar statute) of any jurisdiction. Payment to any person in accordance with the foregoing provisions shall pro tanto discharge Loral, the members of the Committee, and any person or corporation making such payment pursuant to the direction of the Committee, and none of the foregoing shall be required to see to the proper application of any such payment to such person pursuant to the provisions of this Section 5.8. Without in any manner limiting or qualifying the provisions of this Section 5.8, if any amount is payable under this Plan to a minor or any other legally incompetent person, the Committee may in its discretion utilize the procedures described in Section 5.8.

5.9 Doubt as to Right to Payment.

If at any time any doubt exists as to the right of any person to any payment under this Plan or the amount or time of such payment (including, without limitation, any case of doubt as to identity, or any case in which any notice has been received from any other person claiming any interest in amounts payable hereunder, or any case in which a claim from other persons may exist by reason of community property or similar laws), the Committee shall be entitled, in its discretion, to direct that such sum be held as a segregated amount in trust until such right or amount or time is determined or until order of a court of competent jurisdiction, or to pay such sum into court in accordance with appropriate rules of law in such case then provided, or to make payment only upon receipt of a bond or similar indemnification (in such amount and in such form as is satisfactory to the Committee).

5.10 Missing Payees.

If all or portion of a Participant's vested Plan benefit becomes payable and the Committee after a reasonable search cannot locate the Participant (or his Beneficiary if such Beneficiary is entitled to payment), then, 5 years after the Participant's benefit first became payable under the Plan, a notice shall be mailed to the last known address of the Participant. If the Participant does not respond within three months, the Committee may elect, upon advice of counsel, to remove all records of the Participant's accrued benefit from the

Plan's current records and that benefit shall be used to offset future employer contributions. If the Participant or his Beneficiary subsequently presents a valid claim for benefits to the Committee, the Committee shall restore and pay the appropriate Plan benefit.

5.11 Mistaken Payments.

No Participant or Beneficiary shall have any right to any payment made (1) in error, (2) in contravention to the terms of the Plan, the Code, or ERISA, or (3) because the Committee or its delegates were not informed of any death. The Committee shall have full rights under the law and ERISA to recover any such mistaken payment, and the right to recover attorney's fees and other costs incurred with respect to such recovery. Recovery shall be made from future Plan payments, or by any other available means.

5.12 Receipt and Release for Payments.

Any payment to any Participant, Beneficiary, or to any such person's legal representative, parent, guardian, or any person or entity specified by Section 5.8 or under any other Plan provision, shall be in full satisfaction of all claims that can be made under the Plan against the Trustee and Loral. The Trustee and Loral may require such Participant, Beneficiary, legal representative, or any other person or entity described in this Section 5.12, as a condition precedent to such payment, to execute a receipt and release thereof in such form as shall be determined by the Trustee or Loral.

5.13 Illegality of Particular Provisions.

The illegality of any particular provision of this Plan shall not affect the other provisions thereof, but the Plan shall be construed in all respects as if such invalid provision were omitted.

5.14 Discharge of Liability.

If distribution in respect of a Participant is made under this Plan in a form, or to a person, reasonably believed by the Committee or its delegate to be proper, the Plan shall have no further liability with respect to the Participant (or his spouse or Beneficiary) to the extent of such distribution.

IN WITNESS WHEREOF, LORAL CORPORATION, on its own behalf and as agent for each of its subsidiaries, has caused this Plan to be executed by its duly authorized officer, this 19th day of December, 1995.

LORAL CORPORATION

By: /s/ S. L. Jackson

Title: Vice-President of Administration