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

COMSAT CORPORATION
(Name of Subject Company)

REGULUS, LLC
LOCKHEED MARTIN CORPORATION
(Bidders)

COMMON STOCK, WITHOUT PAR VALUE
(Title of Class of Securities)

20564D107
(CUSIP Number of Class of Securities)

STEPHEN M. PIPER, ESQ.
LOCKHEED MARTIN CORPORATION
6801 ROCKLEDGE DRIVE
BETHESDA, MARYLAND 20817
(301) 897-6000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications on behalf of Bidders)

COPY TO:
DAVID G. LITT, ESQ.
O'MELVENY & MYERS LLP
555 13TH STREET, N.W.
SUITE 500 WEST
WASHINGTON, D.C. 20004-1109
(202) 383-5300

CALCULATION OF FILING FEE

Transaction Valuation(1):	$1,169,509,386	Amount of Filing Fee:	$227,901

(1) Estimated for purposes of calculating the amount of the filing fee only. The amount assumes the purchase of 25,703,503 shares of common stock, without par value (the "Shares"), of COMSAT Corporation (the "Company") at a price per Share of $45.50 in cash (the "Offer Price"). Such number of shares represents 49% of the shares of Common Stock of the Company outstanding as of September 11, 1998, minus the number of shares of the Series II Common Stock of the Company outstanding as of September 11, 1998.

[_] 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 Date Filed: Not applicable

(Continued on following page(s))

1. Name of Reporting Person
   S.S. or I.R.S. Identification Nos. of Above Persons
   Regulus, LLC (52-2121081)

2. Check the Appropriate Box if a Member of a Group (a)[_]
   (b)[X]

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
   Delaware

7. Aggregate Amount Beneficially Owned by Each Reporting Person
   None

8. Check Box if the Aggregate Amount in Row (7) Excludes Certain Shares [_]

9. Percent of Class Represented by Amount in Row (7)
   Not applicable

10. Type of Reporting Person
    OO (limited liability company)

1. Name of Reporting Person
   S.S. or I.R.S. Identification Nos. of Above Persons
   Lockheed Martin Corporation (52-1893632)

2. Check the Appropriate Box if a Member of a Group (a)[_]
   (b)[X]

3. SEC Use Only

4. Sources of Funds
   WC, OO

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
   None

8. Check Box if the Aggregate Amount in Row (7) Excludes Certain Shares [_]

9. Percent of Class Represented by Amount in Row (7)
   Not applicable

10. Type of Reporting Person
    CO, HC

TENDER OFFER

This Tender Offer Statement on Schedule 14D-1 relates to the offer by Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), to purchase up to 49% (less certain adjustments) of the issued and outstanding shares (the "Shares") of common stock, without par value (the "Common Stock"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), at a price of $45.50 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively (which, as amended or supplemented from time to time, together constitute the "Offer"). The item numbers and responses thereto below are in accordance with the requirements of Schedule 14D-1.

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is COMSAT Corporation, a District of Columbia corporation. The address of the Company's principal executive offices is 6560 Rock Spring Drive, Bethesda, Maryland 20817.

(b) The information set forth on the cover page and under "Introduction" in 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 annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d), (g) This Tender Offer Statement is filed by the Purchaser and Parent. The information set forth on the cover page, under Introduction, in Section 9 ("Certain Information Concerning Parent and the Purchaser") and in Schedule I (Information Concerning the Directors and Executive Officers of Parent and the Purchaser) of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated by reference.

(e)-(f) During the last five years, neither the Parent nor the Purchaser nor, to their knowledge, any of the persons listed in Schedule I to the Offer to Purchase annexed hereto as Exhibit (a)(1) (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding 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.

While Parent has not, during the last five years, been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors), on January 27, 1995, Lockheed Corporation, one of the corporations that combined to form Parent, entered into a plea agreement pursuant to which Lockheed Corporation agreed to plead guilty to one count of conspiring to violate the bribery provisions of the Foreign Corrupt Practices Act and conspiracy to falsify its books, records and accounts. For further information concerning the plea agreement and the events out of which it arose, see the description contained under the caption "Lockheed Plea Agreement" on page 54 of the Joint Proxy Statement/Prospectus which is contained in Registration Statement No. 33-57645 on Form S-4 filed by Parent on February 9, 1995.

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

(a)-(b) The information set forth on the cover page, under "Introduction" and in Section 9 ("Certain Information Concerning Parent and the Purchaser"), Section 11 ("Background of the Offer; Contacts with the Company") and Section 12 ("Purpose of the Offer; Plans for the Company; the Merger Agreement; Shareholders Agreement; Registration Rights Agreement; Carrier Acquisition Agreement") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

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

(a)-(c) The information set forth in Section 10 ("Source and Amount of Funds") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

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

(a)-(e) The information set forth in the Introduction, Section 11 ("Background of the Offer; Contacts with the Company"), Section 12 ("Purpose of the Offer; Plans for the Company; the Merger Agreement; Shareholders Agreement; Registration Rights Agreement; Carrier Acquisition Agreement") and Section 13 ("Dividends and Distributions") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

(f)-(g) The information set forth in Section 7 ("Effect of the Offer on the Market for the Shares; NYSE Listing and Exchange Act Registration; Margin Regulations") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF SUBJECT COMPANY.

(a)-(b) The information set forth in Section 9 ("Certain Information Concerning Parent and the Purchaser") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated by reference.

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

The information set forth in the Introduction, Section 9 ("Certain Information Concerning Parent and the Purchaser"), Section 11 ("Background of the Offer; Contacts with the Company") and Section 12 ("Purpose of the Offer; Plans for the Company; the Merger

Agreement; the Shareholders Agreements; Registration Rights Agreement; Carrier Acquisition Agreement") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

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

The information set forth in Section 16 ("Fees and Expenses") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in (i) Section 9 ("Certain Information Concerning Parent and the Purchaser") of the Offer to Purchase annexed hereto as Exhibit (a)(1), (ii) Parent's Annual Report on Form 10-K for the year ended December 31, 1997 filed with the Commission pursuant to Rule 15d-2 of the Exchange Act (the "Parent 10-K") and (iii) Parent's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (the "Parent 10-Q") is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(a) The information set forth in Section 11 ("Background of the Offer; Contacts with the Company") and Section 12 ("Purpose of the Offer; Plans for the Company; the Merger Agreement; the Shareholders Agreement; Registration Rights Agreement; Carrier Acquisition Agreement") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

(b)-(c) The information set forth in the Introduction, Section 1 ("Terms of the Offer; Proration; Expiration Date"), Section 7 ("Effect of the Offer on the Market for the Shares; NYSE Listing and Exchange Act Registration; Margin Regulations"), Section 12 ("Purpose of the Offer; Plans for the Company; the Merger Agreement; the Shareholders Agreement; Registration Rights Agreement; Carrier Acquisition Agreement"), Section 15 ("Certain Legal Matters; Regulatory Approvals") and Section 17 ("Miscellaneous") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

(d) The information set forth in Section 7 ("Effect of the Offer on the Market for the Shares; NYSE Listing and Exchange Act Registration; Margin Regulations") and Section 15 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

(e) The information set forth in Section 15 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated by reference.

(f) The information set forth in the Offer to Purchase, annexed hereto as Exhibit (a)(1), and the Letter of Transmittal, annexed hereto as Exhibit (a)(2), is incorporated herein by reference.

ITEM 11. MATTER TO BE FILED AS EXHIBITS.

(a)(1) Offer to Purchase, dated September 25, 1998.

(2) Letter of Transmittal.

(3) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(4) Notice of Guaranteed Delivery.

(5) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(6) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(7) Text of Press Release dated September 20, 1998 is incorporated herein by reference to Exhibit 99 to Parent's Current Report on Form 8-K filed with the Commission on September 21, 1998 and amended September 25, 1998.

(8) Summary Advertisement dated September 25, 1998.

(b)(1) Not Applicable.

(c)(1) Agreement and Plan of Merger, dated as of September 18, 1998, among Lockheed Martin Corporation, Deneb Corporation and COMSAT Corporation.

(2) Registration Rights Agreement, dated as of September 18, 1998, between COMSAT Corporation and Lockheed Martin Corporation.

(3) Shareholders Agreement, dated as of September 18, 1998, between COMSAT Corporation and Lockheed Martin Corporation.

(4) Carrier Acquisition Agreement, dated as of September 18, 1998, by and among COMSAT Corporation, Lockheed Martin Corporation, Regulus, LLC and COMSAT Government Systems, Inc.

(5) Confidentiality Agreements, dated August 5, 1997, between COMSAT Corporation and Lockheed Martin Corporation.

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.

September 25, 1998

REGULUS, LLC

By: /s/ Stephen M. Piper

Name: Stephen M. Piper
Title: Vice President

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.

September 25, 1998

LOCKHEED MARTIN CORPORATION

By: /s/ Stephen M. Piper

Name: Stephen M. Piper
Title: Associate General Counsel and
Assistant Secretary

14D-EXHIBIT INDEX

EXHIBIT	DESCRIPTION
(a)(1)	Offer to Purchase, dated September 25, 1998.
(2)	Letter of Transmittal.
(3)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(4)	Notice of Guaranteed Delivery.
(5)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(6)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
(7)	Text of Press Release dated September 20, 1998 is incorporated herein by reference to Exhibit 99 to Parent's Current Report on Form 8-K filed with the Commission on September 21, 1998 and amended September 25, 1998.
(8)	Summary Advertisement dated September 25, 1998.
(b)(1)	Not Applicable.
(c)(1)	Agreement and Plan of Merger, dated as of September 18, 1998, among Lockheed Martin Corporation, Deneb Corporation and COMSAT Corporation.
(2)	Registration Rights Agreement, dated as of September 18, 1998 between COMSAT Corporation and Lockheed Martin Corporation.
(3)	Shareholders Agreement, dated as of September 18, 1998 between COMSAT Corporation and Lockheed Martin Corporation.
(4)	Carrier Acquisition Agreement, dated as of September 18, 1998, by and among COMSAT Corporation, Lockheed Martin Corporation, Regulus, LLC and COMSAT Government Systems, Inc.
(5)	Confidentiality Agreements, dated August 5, 1997, between COMSAT Corporation and Lockheed Martin Corporation.

OFFER TO PURCHASE FOR CASH
UP TO 49% OF THE OUTSTANDING SHARES OF COMMON STOCK
OF
COMSAT CORPORATION
AT
$45.50 NET PER SHARE IN CASH
BY
REGULUS, LLC
A WHOLLY-OWNED SUBSIDIARY
OF
LOCKHEED MARTIN CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, NOVEMBER 24, 1998, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS BEING MADE PURSUANT TO AN AGREEMENT AND PLAN OF MERGER, DATED SEPTEMBER 18, 1998, BY AND AMONG LOCKHEED MARTIN CORPORATION ("PARENT"), DENEB CORPORATION ("ACQUISITION SUB") AND COMSAT CORPORATION (THE "COMPANY"). THE BOARD OF DIRECTORS OF THE COMPANY HAS BY A UNANIMOUS VOTE (EXCLUDING ONE DIRECTOR WHO WAS ABSENT AND THREE DIRECTORS WHO RECUSED THEMSELVES) APPROVED THE OFFER, THE MERGER AND THE MERGER AGREEMENT AND DETERMINED THAT THE TERMS OF EACH OF THE OFFER, THE MERGER AND THE MERGER AGREEMENT ARE CONSISTENT WITH, AND IN FURTHERANCE OF, THE LONG-TERM BUSINESS STRATEGY OF THE COMPANY AND ARE FAIR TO THE SHAREHOLDERS OF THE COMPANY, AND RECOMMENDS THAT THE COMPANY'S SHAREHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED IN SECTION 1) SUCH NUMBER OF SHARES THAT WOULD CONSTITUTE AT LEAST ONE-THIRD (1/3) OF THE OUTSTANDING SHARES (THE "MINIMUM CONDITION"), (II) THE TERMINATION OR EXPIRATION OF ANY WAITING PERIOD UNDER THE ANTITRUST LAWS (AS DEFINED IN SECTION 14) APPLICABLE TO THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE RECEIPT OF ALL CONSENTS OR APPROVALS REQUIRED UNDER THE ANTITRUST LAWS (THE "ANTITRUST CONDITION"), (III) THE FULFILLMENT OF THE SHAREHOLDER APPROVAL CONDITION (AS DEFINED IN THE INTRODUCTION) AND (IV) THE SATISFACTION OF THE AUTHORIZED CARRIER CONDITIONS (AS DEFINED IN THE INTRODUCTION). SEE THE INTRODUCTION AND SECTIONS 1 AND 14. THE PURCHASER RESERVES THE RIGHT, SUBJECT ONLY TO THE APPLICABLE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), TO WAIVE EACH OF THE CONDITIONS (OTHER THAN THE MINIMUM CONDITION) TO THE OBLIGATIONS OF THE PURCHASER TO CONSUMMATE THE OFFER AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT TO THE EXTENT PERMITTED BY LAW. SEE SECTIONS 1, 12 AND 14.

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER, WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT (AS DEFINED IN THE INTRODUCTION) AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR THAT ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR. SEE SECTIONS 12 AND 14.

THE DEALER MANAGER FOR THE OFFER IS:

BEAR, STEARNS & CO. INC.

September 25, 1998

IMPORTANT

According to the Company, there were 52,494,820 shares of common stock, without par value, of the Company outstanding as of September 11, 1998, of which 52,475,862 were shares of the Company's Series I common stock and 18,958 were shares of the Company's Series II common stock. Assuming no change in such number and no Dissenting Shares (as defined herein), the Offer is to purchase up to 25,703,503 shares.

Any shareholder desiring to tender all or any portion of such shareholder's Shares (as defined herein) should either (i) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions set forth in the Letter of Transmittal and (A) mail or deliver the Letter of Transmittal, together with the certificate(s) representing tendered Shares and any other required documents, to the Depositary (as defined herein) or (B) tender such Shares pursuant to the procedures for book-entry transfer set forth in Section 3 or (ii) request such shareholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such shareholder. A shareholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such shareholder desires to tender such Shares.

Any shareholder who desires to tender Shares and whose certificates representing such Shares are not immediately available, or who cannot comply on a timely basis, with the procedures for book-entry transfer described in this Offer to Purchase, may tender such Shares by following the procedures for guaranteed delivery set forth in Section 3.

Questions and requests for assistance, or for additional copies of this Offer to Purchase, the Letter of Transmittal or other tender offer materials, may be directed to the Information Agent or the Dealer Manager (as such terms are defined herein) at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Holders of Shares may also contact brokers, dealers, commercial banks and trust companies for additional copies of this Offer to Purchase, the Letter of Transmittal or other tender offer materials.

TABLE OF CONTENTS

To the Holders of Shares of Common Stock of COMSAT Corporation:

INTRODUCTION

The Offer

Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), hereby offers to purchase up to that certain number of shares (collectively, the "Shares") of common stock, without par value (the "Company Common Stock"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), that is equal to the remainder of (i) 49% of the number of shares of Company Common Stock outstanding at the close of business on the date of purchase pursuant to the Offer minus (ii) the number of shares of Company Common Stock then owned of record by "authorized carriers" (as defined in the Communications Satellite Act of 1962, as amended, 47 U.S.C. (S)701 et. seq., and all rules and regulations promulgated thereunder (the "Satellite Act")) ("Authorized Carriers"), as evidenced by issuance of shares of Series II Company Common Stock, minus (iii) the number of shares of Company Common Stock with respect to which written demand shall have been made and not withdrawn under Section 29-373 of the District of Columbia Business Corporation Act (the "DCBCA") (the "Dissenting Shares"), at a price of $45.50 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended or supplemented from time to time, together constitute the "Offer"). The Company has informed the Purchaser that there were 52,494,820 shares of Company Common Stock outstanding as of September 11, 1998, of which 52,475,862 were shares of Series I Company Common Stock and 18,958 were shares of Series II Company Common Stock. Assuming no change in such number and no Dissenting Shares, (i) the Offer is to purchase up to 25,703,503 Shares (subject to adjustment in accordance with the Offer) and (ii) the Minimum Condition will be satisfied if at least 17,498,274 shares of Company Common Stock are validly tendered and not withdrawn prior to the Expiration Date.

Tendering shareholders 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 pursuant to the Offer. However, any tendering shareholder or other payee who fails to complete and sign the Substitute Form W-9 included in the Letter of Transmittal may be subject to a required backup federal income tax withholding of 31% of the gross proceeds payable to such shareholder or other payee pursuant to the Offer. See Section 3. The Purchaser will pay all charges and expenses of Bear, Stearns & Co. Inc. ("Bear Stearns"), as Dealer Manager (in such capacity, the "Dealer Manager"), First Chicago Trust Company of New York, as Depositary (the "Depositary"), and Morrow & Co., Inc., as Information Agent (the "Information Agent"), incurred in connection with the Offer. See Section 16.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE (AS DEFINED IN SECTION 1) SUCH NUMBER OF SHARES THAT WOULD SATISFY THE MINIMUM CONDITION, (II) THE TERMINATION OR EXPIRATION OF ANY WAITING PERIOD UNDER THE ANTITRUST LAWS (AS DEFINED IN SECTION 14) APPLICABLE TO THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE RECEIPT OF ALL CONSENTS OR APPROVALS REQUIRED UNDER THE ANTITRUST LAWS (THE "ANTITRUST CONDITION"), (III) THE APPROVAL OF THE MERGER AND THE MERGER AGREEMENT BY THE SHAREHOLDERS OF THE COMPANY PURSUANT TO SECTION 29-367 OF THE DCBCA (THE "SHAREHOLDER APPROVAL CONDITION"), (IV) THE RECEIPT BY PARENT AND THE PURCHASER OF ALL APPROVALS OF THE FEDERAL COMMUNICATIONS COMMISSION ("FCC") NECESSARY FOR THEM TO CONSUMMATE THE CARRIER ACQUISITION (AS DEFINED IN SECTION 12), (V) THE CONSUMMATION OF THE CARRIER ACQUISITION AND (VI) THE RECEIPT BY THE PURCHASER OF AN APPROVAL BY THE FCC TO BECOME AN AUTHORIZED CARRIER AND

TO ACQUIRE THE MAXIMUM NUMBER OF SHARES TO BE PURCHASED PURSUANT TO THE OFFER (THE CONDITIONS OF SUBSECTIONS (IV)-(VI) ARE REFERRED TO AS THE "AUTHORIZED CARRIER CONDITIONS"). SEE SECTIONS 1 AND 14. THE PURCHASER RESERVES THE RIGHT, SUBJECT ONLY TO THE APPLICABLE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), TO WAIVE EACH OF THE CONDITIONS (OTHER THAN THE MINIMUM CONDITION) TO THE OBLIGATIONS OF THE PURCHASER TO CONSUMMATE THE OFFER AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT TO THE EXTENT PERMITTED BY LAW. SEE SECTIONS 1, 12 AND 14.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of September 18, 1998 (the "Merger Agreement"), by and among Parent, Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent ("Acquisition Sub"), and the Company. The Merger Agreement provides, among other things, for the commencement of the Offer by the Purchaser and further provides that, after the purchase of Shares pursuant to the Offer and subject to the satisfaction or waiver of certain conditions set forth therein, (i) if certain conditions relating to the tax treatment of the Merger and the receipt of certain govermental approvals (as outlined in Section 12) have been satisfied, the Company will be merged with and into Acquisition Sub (the "Forward Merger"), with Acquisition Sub surviving the Forward Merger as a wholly-owned subsidiary of Parent or (ii) if such conditions have not been satisfied, Acquisition Sub will be merged with and into the Company (the "Reverse Merger" and, alternatively with the Forward Merger, the "Merger"), with the Company surviving the Reverse Merger as a wholly-owned subsidiary of Parent. The surviving corporation of the Forward Merger or the Reverse Merger, as the case may be, is referred to herein as the "Surviving Corporation."

In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (other than shares of Company Common Stock held in the treasury of the Company, held by the Purchaser, held by Parent, if any, and Dissenting Shares, if any) will be converted into the right to receive 0.5 shares of common stock, par value $1.00 per share, of Parent (the "Parent Common Stock"), subject to adjustment as provided in the Merger Agreement (the "Merger Consideration" and, together with the Offer Price, the "Consideration").

THE BOARD OF DIRECTORS OF THE COMPANY HAS BY A UNANIMOUS VOTE (EXCLUDING DIRECTORS WHO EITHER WERE ABSENT OR RECUSED THEMSELVES) APPROVED THE OFFER, THE MERGER AND THE MERGER AGREEMENT AND DETERMINED THAT THE TERMS OF EACH OF THE OFFER, THE MERGER AND THE MERGER AGREEMENT ARE CONSISTENT WITH, AND IN FURTHERANCE OF, THE LONG-TERM BUSINESS STRATEGY OF THE COMPANY AND ARE FAIR TO THE SHAREHOLDERS OF THE COMPANY, AND RECOMMENDS THAT THE COMPANY'S SHAREHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

The consummation of the Merger is subject to the satisfaction or waiver of certain conditions, including, (i) the Shareholder Approval Condition and (ii) the amendment or repeal of the Satellite Act, and all other applicable proceedings before the FCC or other governmental authority necessary to implement such amendment or repeal and to otherwise permit the consummation of the Merger. Under the Company's Articles of Incorporation and the DCBCA, the affirmative vote of the holders of two-thirds (2/3) of the outstanding Shares is required to approve and adopt the Merger and the Merger Agreement. See Section 12.

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER, WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE

MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR. SEE SECTIONS 12 AND 14.

The Company's financial advisor, Donaldson, Lufkin & Jenrette Securities Corporation ("DLJ"), has delivered to the Company's Board of Directors its written opinion, dated as of September 18, 1998 (the "DLJ Fairness Opinion"), to the effect that, as of the date of such opinion, the Consideration to be received by the holders of Company Common Stock pursuant to the Merger Agreement is fair to such holders from a financial point of view. The full text of the opinion, which sets forth the factors considered and the assumptions made by DLJ, are contained in the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9"), which is being mailed to shareholders of the Company herewith. SHAREHOLDERS ARE URGED TO, AND SHOULD, READ THE DLJ FAIRNESS OPINION CAREFULLY IN ITS ENTIRETY.

In connection with the execution of the Merger Agreement, the Company and Parent have entered into a Shareholders Agreement (the "Shareholders Agreement"), dated as of September 18, 1998, pursuant to which, among other things, promptly after the consummation of the Offer, the Company shall take all such actions necessary to cause the election as directors of the Company three individuals selected by Parent (the "Parent Designees") and the appointment of a Parent Designee as a member of each of the existing committees of the Company's Board of Directors. The Shareholders Agreement also provides that, other than pursuant to the transactions contemplated by the Merger Agreement, Parent together with its affiliates will not, without the approval of the Company's Board of Directors, acquire Shares if such acquisition would result in Parent beneficially owning in excess of 49% of the Company's Shares and in addition imposes certain limitations upon Parent's ability to sell any Shares acquired. Finally, the Shareholders Agreement imposes certain restrictions on actions that Parent may take that may affect the management or direction of the Company. See Section 12. Parent and the Company also have entered into a Registration Rights Agreement, dated as of September 18, 1998 (the "Registration Rights Agreement"), pursuant to which the Company grants to Parent certain rights with respect to registration of Shares under the Securities Act of 1933, as amended (the "Securities Act").

Also in connection with the execution of the Merger Agreement and in order to facilitate consummation of the Offer and Merger, the Company, COMSAT Government Systems, Inc., a Delaware corporation ("CGSI") and wholly-owned subsidiary of the Company, Parent and the Purchaser have entered into a Carrier Acquisition Agreement, dated as of September 18, 1998 (the "Carrier Acquisition Agreement"), pursuant to which Parent will acquire CGSI by a merger of CGSI with and into the Purchaser (the transactions contemplated by the Carrier Acquisition Agreement are herein referred to as the "Carrier Acquisition"). Parent, the Purchaser and the Company will apply to the FCC for those approvals necessary to consummate the Carrier Acquisition, to have the Purchaser approved to be an Authorized Carrier and to acquire the maximum number of Shares to be purchased pursuant to the Offer. See Section 12.

The Merger Agreement, the Shareholders Agreement, the Registration Rights Agreement and the Carrier Acquisition Agreement are more fully described in Section 12. Certain federal income tax consequences of the sale of Shares pursuant to the Offer and the exchange of Shares for the Merger Consideration pursuant to the Merger Agreement are described in Section 5.

* * *

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

INFORMATION APPEARING OR INCORPORATED HEREIN IN RESPECT OF THE COMPANY, THE COMPANY'S BOARD OF DIRECTORS AND THE DLJ FAIRNESS OPINION HAS BEEN FURNISHED TO THE PURCHASER, ACQUISITION SUB AND PARENT BY THE COMPANY OR OBTAINED FROM PUBLISHED SOURCES. WHILE THE PURCHASER, ACQUISITION SUB AND PARENT HAVE NO REASON, AS OF THE DATE OF THIS OFFER TO PURCHASE, TO BELIEVE THAT SUCH INFORMATION IS INCORRECT IN ANY MATERIAL RESPECT, NONE OF THE PURCHASER, ACQUISITION SUB, PARENT OR ANY REPRESENTATIVE OF ANY OF THE FOREGOING ASSUMES ANY LIABILITY THEREFOR.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF THE SHAREHOLDERS OF THE COMPANY OR ANY OFFER TO SELL OR SOLICITATION OF OFFERS TO BUY PARENT COMMON STOCK OR OTHER SECURITIES. ANY SUCH SOLICITATION WILL BE MADE ONLY PURSUANT TO SEPARATE PROXY MATERIALS PURSUANT TO THE REQUIREMENTS OF SECTION 14(A) OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"), AND ANY OFFER WILL BE MADE ONLY THROUGH A REGISTRATION STATEMENT AND PROSPECTUS PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, WHICH PROSPECTUS WILL ALSO CONSTITUTE A PROXY STATEMENT FOR THE MEETING OF SHAREHOLDERS OF THE COMPANY RELATING TO THE MERGER (THE "PROXY STATEMENT/PROSPECTUS").

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PARENT, ACQUISITION SUB OR THE PURCHASER 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 TENDER OFFER

1. TERMS OF THE OFFER; PRORATION; EXPIRATION DATE. 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 extension or amendment), the Purchaser will accept for payment and pay for all Shares (up to 49% of the total number of the outstanding Shares of the Company less certain adjustments as set forth in the Merger Agreement (the "Maximum Number of Shares")) validly tendered prior to the Expiration Date and not withdrawn in accordance with Section 4. The term "Expiration Date" means 12:00 midnight, New York City time, on November 24, 1998, unless and until the Purchaser, in accordance with the terms of the Merger Agreement, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire.

If more than the Maximum Number of Shares are validly tendered prior to the Expiration Date and not properly withdrawn, the Purchaser will, upon the terms and subject to the conditions of the Offer, accept for payment and pay for only the Maximum Number of Shares on a pro rata basis, with adjustments to avoid purchases of fractional Shares, based upon the number of Shares validly tendered prior to the Expiration Date and not properly withdrawn.

In the event that proration of tendered Shares is required, because of the difficulty of determining precisely the number of Shares validly tendered and not withdrawn (due in part to the guaranteed delivery procedure described in Section 3), the Purchaser does not expect to be able to announce the final results of such proration or pay for any Shares until at least five New York Stock Exchange, Inc. ("NYSE") trading days after the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable after the Expiration Date. Shareholders may obtain such information from the Information Agent and may also be able to obtain such information from their brokers.

Consummation of the Offer is conditioned upon, among other things, satisfaction of each of the Minimum Condition, the Antitrust Condition, the Shareholder Approval Condition and the Authorized Carrier Conditions. The Offer also is subject to certain other conditions set forth in Section 14 (together with the Minimum Condition, the Antitrust Condition, the Shareholder Approval Condition and the Authorized Carrier Conditions, the "Offer Conditions").

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR THAT ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR. SEE SECTIONS 12 AND 14.

Pursuant to the terms of the Merger Agreement, Parent and the Purchaser expressly reserve the right (but are not obligated) to waive any or all of the Offer Conditions to the extent permitted by law. If any of the Offer Conditions are not satisfied prior to the Expiration Date, Parent and the Purchaser reserve the right (but are not obligated) to (i) decline to purchase any or all of the Shares tendered and terminate the Offer, and return all such tendered Shares to tendering shareholders, (ii) waive any or all Offer Conditions and, subject to complying with applicable rules and regulations of the Commission, purchase all Shares validly tendered and not theretofor withdrawn, (iii) subject to the terms of the Merger Agreement, extend the Offer and, subject to the right of shareholders to withdraw Shares until the Expiration Date, retain the Shares which have been tendered during the period or periods for which the Offer is extended or (iv) subject to the terms of the Merger Agreement, otherwise amend the Offer. In addition, Parent has agreed in the Merger Agreement that it will not, without the consent of the Company, (i) reduce the number of Shares subject to the Offer, (ii) waive the Minimum Condition, (iii) reduce the Offer Price, (iv) modify or add to the conditions set forth in Section 14, (v) extend the Offer, except as

provided in the Merger Agreement, (vi) change the form of the consideration payable in the Offer or (vii) make any other modifications that are otherwise materially adverse to the Company's shareholders.

Subject to the terms of the Merger Agreement and the applicable rules and regulations of the Commission, except as described below, the Purchaser expressly reserves the right, in its sole discretion, at any time and from time to time, and regardless of the occurrence of any of the events specified in Section 14, by giving oral or written notice to the Depositary, as described below, to (i) extend the period of time during which the Offer is open, and thereby delay acceptance of such payment of, and the payment for any Shares and (ii) amend the Offer in any other respect. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE OFFER PRICE OF THE SHARES TO BE PAID BY THE PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering shareholder to withdraw any tendered Shares. See Section 4.

There can be no assurance that Parent will exercise its right to extend the Offer (other than as required by the Merger Agreement). In the Merger Agreement, Parent has agreed to extend the Offer, for consecutive periods of no more than 60 days, until the earlier of (i) the one year anniversary of the date of the Merger Agreement or (ii) ten business days after the date on which the last of the Authorized Carrier Conditions shall have been satisfied. The Merger Agreement also provides that Parent may, without consent of the Company, (i) extend the term of the Offer beyond any scheduled expiration date of the Offer (but not beyond the two year anniversary of the date of the Merger Agreement) if, at any such scheduled expiration date, any of the conditions to Parent's obligations to accept for payment, and pay for, Shares tendered pursuant to the Offer shall not have been satisfied or waived and (ii) extend the Offer (but not beyond the two year anniversary of the date of the Merger Agreement) for any period required by any rule, regulation, interpretation or position of the Commission or the staff thereof applicable to the Offer or any other applicable law.

If the Purchaser extends the Offer or if the Purchaser (whether before or after its acceptance for payment of Shares) is delayed in its acceptance for payment 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 shareholders are entitled to withdrawal rights as described in Section 4. However, the ability of the Purchaser to delay the payment for Shares that the Purchaser has accepted for payment is limited by Rule 14e-1 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 the Offer.

Any extension, amendment or termination of the Offer 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 Rules 14d-4(c), 14d-6(d) and 14e-1(d) under the Exchange Act. Without limiting the obligations 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 press release to the Dow Jones News Service. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1 under the Exchange Act. The minimum period during which an 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 the percentage of securities sought, will depend upon the facts and circumstances then existing, including the materiality of the changed terms or information. With respect to a change in price or a change in the percentage of securities sought, a minimum period of ten business days generally is required to allow for adequate dissemination of information concerning the change to shareholders.

The Company has provided the Purchaser with the Company's shareholder list and security position listings for the purpose of disseminating the Offer to holders of the Shares. This Offer to Purchase, the related Letter of Transmittal and other relevant materials will be mailed by the Purchaser to record holders of Shares and will be furnished by the Purchaser to brokers, dealers, banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder lists 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 FOR SHARES.

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 purchase, by accepting for payment, and will pay for, the Maximum Number of Shares validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with Section 4) promptly after the Expiration Date. Any determination concerning the satisfaction of such terms and conditions shall be within the sole discretion of the Purchaser. See Section 4. Subject to the terms of the Merger Agreement, the Purchaser expressly reserves the right, in its sole discretion, to delay acceptance for payment of, or, subject to the applicable rules of the Commission, payment for, Shares in order to comply in whole or in part with any applicable law. See Section 15. Any such delays will be effected in compliance with Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after the termination or withdrawal of the Offer).

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificate(s) representing tendered Shares (the "Share Certificates") or timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Shares (if such procedure is available) into the Depositary's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined herein) in connection with a book-entry transfer, and (iii) any other documents required by the Letter of Transmittal.

The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares if, as and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment. Payment for Shares accepted pursuant to the Offer will be made by deposit of the aggregate purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payment to such tendering shareholders. UNDER NO CIRCUMSTANCES WILL INTEREST ON THE OFFER PRICE FOR SHARES BE PAID BY THE PURCHASER BY REASON OF ANY DELAY IN MAKING SUCH PAYMENT.

In the Merger Agreement, Parent has agreed that, following the satisfaction or waiver of all of the conditions to the Offer, the Purchaser shall accept for payment, in accordance with the terms of the Offer, the Maximum Number of Shares which are validly tendered and not withdrawn as soon as practicable thereafter, except as otherwise consented to by the Company. If, for any reason whatsoever, acceptance for payment of or payment for any Shares tendered pursuant to the Offer is delayed, or the Purchaser is unable to accept for payment or pay for Shares tendered pursuant to the Offer, then, without prejudice to the Purchaser's rights set forth herein, the Depositary may, nevertheless, on behalf of the Purchaser and subject to Rule 14e-1(c) under the Exchange Act, retain tendered Shares and such Shares may not be withdrawn except to the extent that the tendering shareholder is entitled to and duly exercises withdrawal rights as described in Section 4.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer (including due to proration if more than the Maximum Number of Shares of the Company are tendered) or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased or untendered Shares will be returned, without expense to the tendering shareholder (or, in the case of Shares tendered by book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Shares will be credited to an account maintained at the Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

If, prior to the Expiration Date, the Purchaser increases the consideration offered to shareholders pursuant to the Offer, such increased consideration will be paid to all shareholders whose Shares are purchased pursuant to the Offer, regardless of whether those Shares were tendered prior to or after the increase in consideration.

Subject to the provisions of the Merger Agreement, Parent may assign its rights and obligations under the Merger Agreement or those of Acquisition Sub to Parent or any subsidiary of Parent, but in each case no such assignment shall relieve Parent or Acquisition Sub, of its obligations under the Merger Agreement.

Parent and the Company each will file a Notification and Report Form with respect to the transactions contemplated by the Merger Agreement under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"). The waiting period under the HSR Act will expire at 11:59 p.m., New York City Time, on the 30th calendar day after filing of HSR notices by Parent and the Company, unless early termination of the waiting period is granted. In addition, the Antitrust Division of the United States Department of Justice (the "Antitrust Division") or the United States Federal Trade Commission (the "FTC") may extend the waiting period by requesting additional information or documentary material from Parent. If such a request is made, such waiting period will expire at 11:59 p.m., New York City Time, on the 20th day after substantial compliance by Parent and the Company with such request. See Section 15 hereof for additional information concerning the HSR Act and the applicability of the antitrust laws to the Offer.

3. PROCEDURES FOR TENDERING SHARES.

Valid Tender of Shares. Except as set forth below, in order for Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal or a facsimile thereof, properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares and any other required documents, must 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 and either (i) the Share Certificates evidencing tendered Shares must be received by the Depositary along with the Letter of Transmittal, (ii) Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case, prior to the Expiration Date, or (iii) the tendering shareholder must comply with the guaranteed delivery procedures described below.

If Share Certificates are forwarded to the Depositary in multiple deliveries, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) must accompany each delivery. No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased.

THE METHOD OF DELIVERY OF SHARE CERTIFICATES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING SHAREHOLDER. SHARES WILL BE DEEMED DELIVERED ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Book-Entry Transfer. The Depositary will establish an account at the Book-Entry Transfer Facility with respect to the Shares 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 Book-Entry Transfer Facility's system may make book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for transfer. Although delivery of Shares may be effected through book-entry transfer at the Book-Entry Transfer

Facility, the Letter of Transmittal or a facsimile thereof, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares, and any other required documents, must, in any case, be transmitted to and 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 procedures described below must be complied with.

REQUIRED DOCUMENTS MUST BE TRANSMITTED TO AND RECEIVED BY THE DEPOSITARY AT ONE OF ITS ADDRESSES SET FORTH ON THE BACK COVER PAGE OF THIS OFFER TO PURCHASE. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH THE BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal if the Shares tendered thereby are tendered (i) by a registered holder of Shares who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal or (ii) for the account of a bank, broker, dealer, credit union, savings association or other entity that is a member in good standing of the Securities Transfer Agents Medallion Program (each, an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

If a Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal or if payment is to be made to a person other than the registered holder(s), or if a Share Certificate not accepted for payment is to be returned to a person other than the registered holder(s), or if a portion of the Shares evidenced by such Share Certificate are to be returned because fewer than all of the Shares evidenced by such Share Certificate are to be tendered to a person other than the registered holder(s), then the Share Certificate must be endorsed or accompanied by appropriate stock powers, in any of these cases, signed exactly as the name(s) of the registered holder(s) appear on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed as described above. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a shareholder desires to tender Shares pursuant to the Offer and such shareholder's Share Certificates are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares may nevertheless be tendered if all the following conditions are satisfied:

(i) the 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 herewith, is received by the Depositary as provided below prior to the Expiration Date; and

(iii) the Share Certificates (or a Book-Entry Confirmation) representing all tendered Shares in proper form for transfer together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal are received by the Depositary within three NYSE trading days after the date of execution of such Notice of Guaranteed Delivery.

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

Notwithstanding any other provisions hereof, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of Share Certificates for, or of Book-Entry Confirmation with respect to, such Shares, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof), together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by the Letter of Transmittal. Accordingly, payment might not be made to all tendering shareholders at the same time and will depend upon when Share Certificates are received by the Depositary or Book-Entry Confirmations with respect to such Shares are received into the Depositary's account at the Book-Entry Transfer Facility.

The valid tender of Shares pursuant to one of the procedures described above will constitute a binding agreement between the tendering shareholder and the Purchaser upon the terms and subject to the conditions of the Offer.

Appointment as Proxy. Except as otherwise prohibited by law, by executing a Letter of Transmittal as set forth above, a tendering shareholder irrevocably appoints certain designees of the Purchaser as such shareholder's attorneys-in-fact and proxies, in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for payment by the Purchaser (and any and all non-cash dividends, distributions, rights or other securities issued or issuable in respect of such Shares on or after the date of the Offer). All such proxies shall be considered coupled with an interest in the tendered Shares. This appointment will be effective if, when and only to the extent that the Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by such shareholder with respect to such Shares and other securities will, without further action, be revoked, and no subsequent proxies may be given. The designees of the Purchaser will, with respect to the Shares and other securities for which the appointment is effective, be empowered to exercise all voting and other rights of such shareholder as they, in their sole discretion, may deem proper at any annual, special, adjourned or postponed meeting of the Company's shareholders, or otherwise, and the Purchaser reserves the right to require that in order for Shares or other securities to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares, the Purchaser must be able to exercise full voting rights with respect to such Shares.

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tendered Shares pursuant to any of the procedures described above will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding on all parties. The Purchaser reserves the absolute right to reject any or all tenders of Shares determined by it not to be in proper form or if the acceptance for payment of, or payment for, such Shares may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right, in its sole discretion, to waive any defect or irregularity in any tender with respect to Shares of any particular shareholder, whether or not similar defects or irregularities are waived in the case of other shareholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived.

The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. None of Parent, the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

Backup Withholding. In order to avoid "backup withholding" of federal income tax on payments of the Offer Price pursuant to the Offer, a shareholder surrendering Shares in the Offer must, unless an exemption applies, provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") on a Substitute Form W-9 and certify under penalty of perjury that such TIN is correct and that such shareholder is not subject to backup withholding. Certain shareholders (including, among others, all corporations and certain foreign individuals and entities) are not subject to backup withholding. If a shareholder does not provide its correct TIN or fails to provide the certifications described above, the Internal Revenue Service ("IRS") may

impose a penalty on such shareholder and payment of the Offer Price to such shareholder pursuant to the Offer may be subject to backup withholding of 31% of the amount payable to such shareholder. All shareholders surrendering Shares pursuant to the Offer should complete and sign the main signature form and the Substitute Form W-9 included as part of the Letter of Transmittal to provide the information and certification necessary to avoid backup withholding (unless an applicable exemption exists and is proven in a manner satisfactory to the Purchaser and the Depositary). Noncorporate foreign shareholders should complete and sign the main signature form and a Form W-8, Certificate of Foreign Status, a copy of which may be obtained from the Depositary, in order to avoid backup withholding. See Instruction 10 to the Letter of Transmittal.

4. WITHDRAWAL RIGHTS. Except as otherwise provided in this Section 4, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless previously accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after November 24, 1998.

If the Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described in this Section 4; subject, however, to the Purchaser's obligation, pursuant to Rule 14e-1(c) under the Exchange Act, to pay for the tendered Shares or return those Shares promptly after termination or withdrawal of the Offer. Any such delay will be accompanied by an extension of the Offer to the extent required by law.

For a withdrawal to be effective, a written 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. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and (if Share Certificates have been tendered) the name of the registered holder, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then prior to the release of such Share Certificates, the serial numbers shown on the particular Share Certificates to be withdrawn must be submitted to the Depositary, and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares, in which case a notice of withdrawal will be effective if delivered to the Depositary by any method of delivery described in Section 3. Withdrawals of Shares may not be rescinded.

All questions as to the form and validity (including, without limitation, time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, the determination of which will be final and binding. None of Parent, the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Shares properly withdrawn will thereafter be deemed to not have been validly tendered for purposes of the Offer. Withdrawn Shares may be retendered at any time prior to the Expiration Date by following one of the procedures described in Section 3.

5. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE OFFER AND THE MERGER.

The following discussion is a summary of the material federal income tax consequences of the Offer and the Merger to holders of Shares who hold the Shares as capital assets. The discussion set forth below is for general information only and may not apply to certain categories of holders of Shares subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code"), such as foreign holders and holders who acquired such Shares pursuant to the exercise of employee stock options or otherwise as compensation. This

summary is based upon laws, regulations, rulings, and decisions currently in effect, all of which are subject to change, retroactively or prospectively.

Integration of the Offer and the Merger. It is unclear whether the Offer and the Merger should be treated as a single integrated transaction for federal income tax purposes. The tax consequences for a shareholder who sells Shares pursuant to the Offer and also receives Parent Common Stock in the Merger may differ depending upon whether the Offer and the Merger are treated as a single integrated transaction or as two separate transactions for federal income tax purposes. Factors which may be inconsistent with integration include the anticipated significant time period between completion of the Offer and the Merger, the requirement of a change in law in order to consummate the Merger, and the fact that the plan for the Merger contemplates the possibility of two alternative forms of acquisition. Nevertheless, a case for integrating the Offer and the Merger for federal income tax purposes exists because the multi-step transaction, if completed as contemplated, will occur pursuant to the plan as set forth in the Merger Agreement, which the shareholders of the Company must approve as a condition to the Purchaser's obligation to purchase Shares pursuant to the Offer. Parent intends to take the position that the Offer and the Merger constitute a single integrated transaction.

Tax Opinions as a Condition to the Forward Merger. The Forward Merger is conditioned upon, among other things, the receipt by Parent of an opinion from its tax counsel, King & Spalding, and upon the receipt by the Company of an opinion from its tax counsel, Skadden, Arps, Slate, Meagher & Flom, LLP, each substantially to the effect that the Forward Merger (if the Merger is effected as such) will constitute a "reorganization" within the meaning of Section 368(a) of the Code for federal income tax purposes. The issuance of the tax opinions will depend on the facts as they exist at the time of the Forward Merger, and the tax opinions will be based on certain factual assumptions and on representations which are customary for transactions similar to the Offer and the Merger. The tax opinions cannot be relied upon if any of such factual assumptions or representations is, or later becomes, inaccurate. No ruling from the IRS concerning the tax consequences of the Offer and the Merger has been or will be requested, and the tax opinions will not be binding upon the IRS or the courts.

TAX CONSEQUENCES IF THE OFFER AND THE FORWARD MERGER ARE TREATED AS A SINGLE INTEGRATED TRANSACTION THAT CONSTITUTES A REORGANIZATION

If the Offer and the Merger are integrated and the Merger is effected as the Forward Merger, the Offer and the Merger together will qualify as a reorganization pursuant to Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code. In such event, generally no gain or loss will be recognized by Parent, the Purchaser, Acquisition Sub or the Company pursuant to the Offer and the Merger.

Exchange of Shares Solely Pursuant to the Offer. In general, a shareholder of the Company who, pursuant to the Offer, exchanges all of the Shares owned by such shareholder solely for cash will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and such shareholder's adjusted tax basis in the Shares surrendered therefor.

Exchange of Shares Solely Pursuant to the Forward Merger. A shareholder of the Company who, pursuant to the Forward Merger, exchanges all of the Shares owned by such shareholder solely for Parent Common Stock (and who does not exchange any Shares for cash pursuant to the Offer) will not recognize any gain or loss upon such exchange. Such shareholder will recognize gain or loss, however, to the extent cash is received in the Merger in lieu of a fractional share of Parent Common Stock, as discussed below. The aggregate adjusted tax basis in the Parent Common Stock received in such exchange will be equal to the aggregate adjusted tax basis in the Shares surrendered therefor, and the holding period of Parent Common Stock will include the holding period of the Shares surrendered therefor.

Exchange of Shares Pursuant to the Offer and the Forward Merger. If the Offer and the Forward Merger are treated as a single integrated transaction, a shareholder of the Company who, pursuant to the Offer and the Forward Merger, exchanges all of the Shares owned by such shareholder for a combination of cash pursuant to the Offer and Parent Common Stock pursuant to the Merger will not recognize loss but will recognize gain, if any, to the extent of the lesser of (i) the excess, if any, of the sum of the amount of cash received pursuant to the Offer and the fair market value of the Parent Common Stock received pursuant to the Merger over such shareholder's adjusted tax basis in the Shares exchanged therefor and (ii) the amount of cash received pursuant to the Offer.

Any gain recognized by a shareholder of the Company who receives a combination of cash and Parent Common Stock pursuant to the Offer and the Forward Merger will be treated as capital gain unless the receipt of the cash has the effect of the distribution of a dividend for federal income tax purposes, in which case such recognized gain will be treated as ordinary dividend income to the extent of such shareholder's ratable share of the Company's accumulated earnings and profits.

For purposes of determining whether the cash received pursuant to the Offer will be treated as a dividend for federal income tax purposes, a shareholder of the Company will be treated as if such shareholder first exchanged all of such shareholder's Shares solely for Parent Common Stock and then Parent immediately redeemed a portion of such Parent Common Stock in exchange for the cash such shareholder actually received.

In general, the determination as to whether the cash received will be treated as received pursuant to a sale or exchange (generating capital gain) or a dividend distribution (generating ordinary dividend income) depends upon whether and to what extent there is a reduction in the shareholder's deemed percentage stock ownership of Parent. A shareholder of the Company who exchanges such shareholder's Shares for a combination of Parent Common Stock and cash will recognize capital gain rather than ordinary dividend income if the deemed redemption by Parent (described in the preceding paragraph) is "not essentially equivalent to a dividend" or is "substantially disproportionate" with respect to such shareholder.

Whether the deemed exchange and subsequent redemption transaction are "not essentially equivalent to a dividend" with respect to a Company shareholder will depend upon such shareholder's particular circumstances. In order to reach such conclusion, it must be determined that the transaction results in a "meaningful reduction" in such Company shareholder's deemed percentage stock ownership of Parent. In determining whether a reduction in a shareholder's deemed percentage stock ownership has occurred, (i) the percentage of the outstanding stock of Parent that such Company shareholder is deemed actually and constructively to have owned immediately before the deemed redemption by Parent should be compared to (ii) the percentage of the outstanding stock of Parent actually and constructively owned by such shareholder immediately after the deemed redemption by Parent. The relevant constructive ownership rules treat shareholders as owning stock held indirectly (through partnerships, estates, trusts and corporations) and, under certain circumstances, treat persons as owning stock owned by their partners, beneficiaries, and shareholders. Shareholders will also be treated as owning stock that could be acquired by virtue of the exercise of any option to acquire stock, and individual shareholders are treated as owning any stock owned by their family.

A Company shareholder will comply with the "substantially disproportionate" rule if the percentage described in (ii) above is less than 80% of the percentage described in (i) above. Even if a Company shareholder does not qualify under such test, the IRS has ruled that a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a "meaningful reduction" in the percentage of stock ownership of the corporation if such shareholder has any reduction, however small, in such shareholder's percentage stock ownership. In most circumstances, therefore, it is anticipated that gain recognized by a shareholder of the Company who exchanges such shareholder's shares for a combination of cash and Parent Common Stock will be capital gain. The IRS has ruled, however, that a minority shareholder in a publicly traded corporation is not considered to have a "meaningful reduction" in the percentage of stock ownership of the corporation if such shareholder does not have a reduction in such shareholder's percentage stock ownership.

The aggregate adjusted tax basis in Parent Common Stock received by a Company shareholder who, pursuant to the Offer and the Forward Merger, exchanges such shareholder's Shares for a combination of cash and Parent Common Stock will be the same as the aggregate adjusted tax basis in the Shares surrendered therefor, decreased by the amount of cash received and increased by the amount of gain recognized, if any (including any portion of such gain that is treated as a dividend). The holding period of Parent Common Stock will include the holding period of the Shares surrendered therefor.

Cash Received in Lieu of a Fractional Share of Parent Common Stock. Cash received in the Merger in lieu of a fractional share of Parent Common Stock generally will be treated as received in redemption of such fractional share upon which gain or loss will be recognized. The amount of the gain or loss to a shareholder will be equal to the difference between the amount of cash received for such fractional share and the portion of the adjusted tax basis in the Shares allocable to such fractional share.

TAX CONSEQUENCES IF THE OFFER AND THE FORWARD MERGER ARE TREATED AS SEPARATE TRANSACTIONS AND THE FORWARD MERGER IS TREATED AS A REORGANIZATION

If the Offer and the Forward Merger are not integrated, notwithstanding Parent's intended treatment of the Offer and the Merger, but are treated as separate transactions for federal income tax purposes, the receipt of cash pursuant to the Offer will be treated as a sale or exchange upon which gain or loss will be recognized by a shareholder of the Company who participates in the Offer. In such case, a shareholder of the Company will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and such shareholder's adjusted tax basis in the Shares surrendered. The Forward Merger will qualify as a reorganization pursuant to Sections 368(a)(1)(A) and 368(a)(2)(D) of the Code pursuant to which no gain or loss will be recognized by a shareholder of the Company who, pursuant to the Forward Merger, exchanges Shares for Parent Common Stock. A shareholder will recognize gain or loss, however, to the extent cash is received in lieu of a fractional share of Parent Common Stock, as discussed above under the heading "Cash Received in Lieu of a Fractional Share of Parent Common Stock." The aggregate adjusted tax basis in the Parent Common Stock received in an exchange pursuant to the Forward Merger will be equal to the aggregate adjusted tax basis in the Shares surrendered therefor, and the holding period of Parent Common Stock will include the holding period of the Shares surrendered therefor.

TAX CONSEQUENCES IF THE MERGER IS EFFECTED AS A REVERSE MERGER

Offer and Reverse Merger as an Integrated Transaction. If the Offer and the Merger are integrated and the Merger is effected as the Reverse Merger, the Reverse Merger will not qualify as a reorganization pursuant to Section 368(a) of the Code, and the receipt of cash pursuant to the Offer and Parent Common Stock pursuant to the Reverse Merger will constitute a sale or exchange upon which gain or loss will be recognized. The amount of the gain or loss to a shareholder will be equal to the difference between the sum of the amount of cash and the fair market value of the Parent Common Stock received by such shareholder and such shareholder's adjusted tax basis in the Shares surrendered therefor.

Offer and Reverse Merger as Separate Transactions. If, however, the Offer and the Merger are not integrated, notwithstanding Parent's intended treatment of the Offer and the Merger, and the Merger is effected as the Reverse Merger, the receipt of cash pursuant to the Offer also will be treated as a sale or exchange upon which gain or loss will be recognized. In such circumstance, a shareholder of the Company will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and such shareholder's adjusted tax basis in the Shares surrendered pursuant to the Offer. The Reverse Merger, analyzed as a transaction separate from the Offer, may qualify as a reorganization pursuant to Section 368(a)(1)(B) of the Code. In such case, a shareholder of the Company should not recognize any gain or loss upon such exchange. A shareholder will recognize gain or loss, however, to the extent cash is received in lieu of a fractional share of Parent Common Stock, as discussed above under the heading "Cash Received in Lieu of a Fractional Share of Parent Common Stock."

TAX CONSEQUENCES IF THE MERGER IS NOT TREATED AS A REORGANIZATION

In the event that the Merger does not qualify as a reorganization (whether effected as the Forward Merger or the Reverse Merger), a shareholder of the Company will recognize gain or loss with respect to Shares exchanged pursuant to the Offer equal to the difference between the amount of cash received and such shareholder's adjusted tax basis in the Shares surrendered pursuant to the Offer, and will recognize gain or loss with respect to Shares exchanged pursuant to the Merger equal to the difference between the fair market value of the Parent Common Stock received and such shareholder's adjusted tax basis in the Shares exchanged pursuant to the Merger.

TAX CONSEQUENCES OF THE OFFER IF THE MERGER IS NOT CONSUMMATED

If the Merger is not consummated, a shareholder of the Company who, pursuant to the Offer, exchanges Shares for cash will recognize gain or loss equal to the difference between the amount of cash received pursuant to the Offer and such shareholder's adjusted tax basis in the Shares surrendered therefor.

CHARACTERIZATION OF GAIN OR LOSS

The gain or loss recognized, if any, by a shareholder of the Company pursuant to the Offer or the Merger will be capital gain or loss and if, as of the date of the exchange pursuant to the Offer or the Merger, as the case may be, the shareholder has held the Shares surrendered for more than one year, such capital gain will be long-term. The amount of any gain or loss recognized and its character as short-term or long-term will be calculated and determined separately for each identifiable block of Shares surrendered pursuant to the Offer and the Merger.

BACKUP WITHHOLDING

Unless a shareholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Code and Treasury Regulations promulgated thereunder, such shareholder may be subject to withholding tax of 31% with respect to any cash payments received pursuant to the Offer. See the discussion regarding backup withholding in Section 3. Foreign shareholders should consult with their own tax advisors regarding withholding taxes in general.

THE ABOVE DISCUSSION MAY NOT APPLY TO CERTAIN CATEGORIES OF SHAREHOLDERS SUBJECT TO SPECIAL TREATMENT UNDER THE CODE, SUCH AS FOREIGN SHAREHOLDERS AND SHAREHOLDERS WHOSE SHARES WERE ACQUIRED PURSUANT TO THE EXERCISE OF ANY EMPLOYEE STOCK OPTION OR OTHERWISE AS COMPENSATION. SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE SPECIFIC TAX CONSEQUENCES OF THE OFFER AND THE MERGER, INCLUDING ANY FEDERAL, STATE, LOCAL OR OTHER TAX CONSEQUENCES (INCLUDING ANY TAX RETURN FILING OR OTHER TAX REPORTING REQUIREMENTS) OF THE OFFER AND THE MERGER.

6. PRICE RANGE OF SHARES; DIVIDENDS.

The principal market for the Shares is the NYSE, where the shares of Company Common Stock are traded under the symbol "CQ." The Company Common Stock is also listed on the Chicago Stock Exchange and the Pacific Stock Exchange in the United States and on the Swiss Exchange. The following table sets forth, for the periods indicated, the high and low sales prices per Share on the NYSE and the amount of cash dividends paid per Share as reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and as otherwise reported by published financial sources.

	SALES PRICE		DIVIDEND
YEAR	HIGH	LOW	
1996			
First Quarter	$ 25 5/8	$ 16 3/4	$.195
Second Quarter	33 1/8	23 3/8	.195
Third Quarter	26 1/2	18 3/4	.195
Fourth Quarter	26 3/4	21 1/2	.195
1997			
First Quarter	28 1/2	23	.195
Second Quarter	26 11/16	19 5/8	.05
Third Quarter	24 5/16	20 13/16	.05
Fourth Quarter	25 3/4	20 5/16	.05
1998			
First Quarter	35 5/8	21 5/8	.05
Second Quarter	42 3/4	27 3/4	.05
Third Quarter (through September 24, 1998)	36 7/8	21 7/8	.05

On September 18, 1998, the last full trading day prior to the announcement of the execution of the Merger Agreement, the last reported sales price of the Shares on the NYSE Composite Tape was $34 1/8 per Share. On September 24, 1998, the last full trading day prior to the date hereof, the last reported sales price of the Shares on the NYSE Composite Tape was $34 7/16 per Share. SHAREHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; NYSE LISTING AND EXCHANGE ACT REGISTRATION; MARGIN REGULATIONS.

Market for the Shares. The purchase of Shares pursuant to the Offer will reduce the number of holders of Shares and the number of Shares that might otherwise trade publicly and could adversely affect the liquidity and market value of the remaining Shares held by the public. Neither Parent nor the Purchaser can 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.

The principal market for Company Common Stock is the NYSE. Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards of the NYSE for continued listing and, therefore, may be delisted therefrom. 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% of 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 was 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. As of August 31, 1998, there were approximately 8,000 holders of record of at least 100 shares of Company Common Stock.

If the NYSE were to delist the Shares, it is possible that the Shares would continue to trade on another securities exchange or would trade in the over-the-counter market and that price quotations for the Shares would be reported by such exchange or through the Nasdaq National Market or other sources. The Company Common Stock is currently also listed on the Chicago and Pacific Stock Exchanges in the United States and on the Swiss Stock Exchange. 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.

Exchange Act Registration. The Shares currently are registered under the Exchange Act. Registration of the Shares under the Exchange Act may be terminated upon application of the Company to the Commission if the Shares are neither listed on a national securities exchange nor held by 300 or more holders of record. Termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its shareholders and to the Commission and would make certain provisions of the Exchange Act no longer applicable to the Company, such as the short-swing profit recovery provisions of Section 16(b) of the Exchange Act, the requirement of furnishing a proxy statement pursuant to Section 14(a) of the Exchange Act in connection with shareholders' meetings and the related requirement of furnishing an annual report to shareholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions. Furthermore, the ability of "affiliates" of the Company and persons holding "restricted securities" of the Company to dispose of such securities pursuant to Rule 144 or 144A promulgated under the Securities Act may be impaired or eliminated. If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or be eligible for NYSE reporting.

If registration of the Company Common Stock is not terminated prior to the Merger, then the Company Common Stock will be delisted from all stock exchanges and the registration of the Company Common Stock under the Exchange Act will be terminated following the consummation of the Merger.

Margin Regulations. 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, it is possible that, following the Offer, Shares would no longer constitute "margin securities" for the purposes of the margin regulations of the Federal Reserve Board and therefore could no longer be used as collateral for loans made by brokers.

8. CERTAIN INFORMATION CONCERNING THE COMPANY. General. Unless otherwise indicated, the information concerning the Company contained in this Offer to Purchase, including financial information (except the information described below under "Other Financial Information") has been taken from or is based upon publicly available documents and records on file with the Commission and other public sources. None of Parent, Acquisition Sub, the Purchaser, the Dealer Manager, the Depositary or the Information Agent assumes any responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Parent, Acquisition Sub, the Purchaser, the Dealer Manager, the Depositary or the Information Agent.

The Company is a District of Columbia corporation incorporated in 1963. Its principal executive offices are located at 6560 Rock Spring Drive, Bethesda, Maryland 20817. The telephone number of the Company at such location is (301) 214-3000. The Company's operations are conducted through two business segments: Satellite Services and Network Services.

The Satellite Services segment consists of the Company's COMSAT World Systems ("CWS") and COMSAT Mobile Communications ("CMC") businesses. CWS provides voice, data, video and audio communications services between the U.S. and other countries using the satellite system of the International Telecommunications Satellite Organization ("INTELSAT"). CMC provides voice, data, fax, telex and information services for ships, aircraft and land mobile applications throughout the world primarily using the satellite system of the International Maritime Satellite Organization ("Inmarsat").

The Network Services segment consists of the Company's COMSAT International ("CI"), COMSAT Laboratories ("Labs") and Government Programs businesses. CI operates an integrated group of telecommunications companies that are engaged principally in providing individualized digital communications network solutions to business clients and carriers in high-growth emerging markets overseas. Labs provides technical consulting in the design and development of advanced digital communications technologies and also designs, develops and licenses communications products for satellite access, compression and networking applications. Government Programs include the operations of COMSAT General Corporation and CGSI, both of which are wholly-owned subsidiaries of the Company. (CGSI is to be acquired by Parent pursuant to the Carrier Acquisition Agreement.)

Financial Information. Set forth below is a summary of certain selected consolidated financial information with respect to the Company, excerpted or derived from the audited financial information of the Company contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and unaudited information of the Company contained in the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 1998. More comprehensive financial information is included in such reports and other documents filed with the Commission, and the following summary is qualified in its entirety by reference to such reports and other documents, including the financial information and related notes contained therein. Such reports and other documents may be inspected and copies may be obtained from the offices of the Commission or the NYSE in the manner set forth below under "Available Information."

COMSAT CORPORATION

SUMMARY CONSOLIDATED FINANCIAL DATA

	(UNAUDITED) SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
SUMMARY OF OPERATIONS					
Revenues	$ 295,762	$ 275,968	$ 562,651	$ 545,100	$ 507,687
Operating expenses	255,124	229,405	480,683	437,875	387,873
Operating income	40,638	46,463	81,968	107,225	119,814
Income from continuing operations	7,924	17,197	28,568	36,197	43,507
Net income (loss)	7,924	(15,610)	(64,446)	8,622	37,817
Earnings (loss) per share-- assuming dilution:					
Income from continuing operations	0.15	0.35	0.57	0.74	0.91
Net income (loss)	0.15	(0.32)	(1.29)	0.18	0.79
BALANCE SHEET DATA (at end of period)					
Total assets	1,855,134	1,894,775	1,894,775	2,097,286	2,022,247
Long-term debt	454,478	461,960	461,960	578,379	590,378
Stockholders' equity	655,707	586,271	586,271	841,817	839,433
DIVIDENDS					
Dividends paid	5,145	12,000	16,975	37,698	36,874
Dividends paid per share	0.10	0.245	0.345	0.78	0.78
Distribution of Ascent Entertainment Group, Inc. shares	--	--	194,633	--	--

Other Financial Information. During the course of the discussions between Parent and the Company that led to the execution of the Merger Agreement, the Company provided Parent with financial projections and other information relating to the Company which is not publicly available. The information included projections of the Company's estimated revenues, pre-tax earnings and earnings per share as an independent company (i.e., without regard to the impact to the Company of a transaction with Parent) of approximately: $666 million, $47 million and $0.58 per share, respectively, for fiscal year 1998; $760 million, $76 million and $0.89 per share, respectively, for fiscal year 1999; and $919 million, $124 million, and $1.44 per share, respectively, for fiscal year 2000. The foregoing projections were prepared in the fall of 1997 solely for internal use and not for publication or with a view to complying with the published guidelines of the SEC regarding projections or with the guidelines established by the American Institute of Certified Public Accountants. The projections are "forward-looking" and inherently subject to significant uncertainties and contingencies, many of which are

beyond the control of the Company, including: potentially adverse changes in laws, regulations or rules applicable to the Company or the satellite industry generally; the outcome and timing of efforts to privatize INTELSAT and Inmarsat; changes in the demand and competition for satellite and competing services; general business and economic conditions; changes in tax and accounting matters affecting the Company; and other matters. The Company has informed Parent that certain of the assumptions used by the Company in preparing the projections have changed significantly. Accordingly, the Company's actual results over the periods indicated may be materially higher or lower than those described above. The inclusion of this information should not be regarded as an indication that Parent, the Purchaser, the Company or anyone who received this information considers it a reliable predictor of future events, and this information should not be relied upon as such. This information is being included in this Offer to Purchase only because it was furnished by the Company to Parent. None of Parent, the Purchaser or the Company assumes any responsibility for the validity, reasonableness, accuracy or completeness of the projections, and the Company has made no representations to Parent, or the Purchaser regarding the financial projections described above.

Available Information. The Shares are registered under the Exchange Act. Accordingly, the Company is subject to the informational and reporting 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 the Company's directors and officers, their remuneration, stock options or restricted stock units granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's shareholders and filed with the Commission. These reports, proxy statements and other information are available for inspection at the public reference facilities of the Commission located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also are available for inspection and copying at prescribed rates at the following regional offices of the Commission: Seven World Trade Center, New York, New York 10048; and Citicorp 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 Commission also maintains an Internet site on the World Wide Web at http://www.sec.gov that contains reports, proxy statements and other information. Reports, proxy statements and other information concerning the Company should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

9. CERTAIN INFORMATION CONCERNING PARENT AND THE PURCHASER.

The Purchaser. The Purchaser is a newly formed single member Delaware limited liability company organized in connection with the Offer and the Merger and has not carried on any activities since its organization other than with respect to the Offer and the Merger. The principal executive offices of the Purchaser are located at c/o Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817. The Purchaser is a wholly-owned subsidiary of Parent.

Parent. Parent was incorporated in Maryland in August 1994 to effect the combination (the "Combination") of the businesses of Martin Marietta Corporation and Lockheed Corporation. The Combination was consummated on March 15, 1995. Parent is a highly diversified global enterprise principally engaged in the conception, research, design, development, manufacture, integration and operation of advanced technology products and services. The principal executive offices of Parent are located at 6801 Rockledge Drive, Bethesda, Maryland 20817.

Parent conducts its principal businesses through: the Space & Strategic Missiles sector; the Electronics sector; the Information & Services sector; the Aeronautics sector; the Energy & Environment sector; and Lockheed Martin Global Telecommunications, Inc., a Delaware corporation and wholly-owned subsidiary of Parent ("Global Telecommunications").

The Space & Strategic Missiles sector's activities include the design, development, engineering and production of civil, commercial and military space systems, including: spacecraft, space launch vehicles, manned space systems and their supporting ground systems and services; telecommunications systems and services; strategic fleet ballistic missiles; and defensive missiles.

The Electronics sector's activities primarily relate to the design, development, engineering and production of high performance electronic systems for undersea, shipboard, land-, airborne- and space-based applications. Major business elements include: Naval Systems; Missiles and Air Defense; Aerospace Electronics; and Platform Integration. The Naval Systems element serves customers world-wide with major lines of business in surface ship and submarine combat systems, missile launching systems, anti-submarine warfare systems, and navigation systems. The Air Defense and Missiles element produces air defense systems; tactical battlefield missiles; and precision guided weapons and munitions. The Aerospace Electronics element manufactures major electronics subsystems such as: aircraft controls; electronic-warfare; electro-optic and night vision; radar; displays; and computers for the military and commercial aerospace market. The Platform Integration element performs systems integration of mission specific combat suites for both fixed and rotary wing aircraft and postal automation.

The Information & Services sector consists of four major lines of business: systems integration and command, control, communications, computer and intelligence (C4I) systems; federal technology services; state and municipal systems support services; and commercial systems and products. This sector's activities include the development, integration and operation of large, complex information systems, including satellite command and control systems, simulation and training systems, and nationally critical intelligence systems. This sector provides federal government, civil and military customers with engineering, scientific, management, technical and information technology support. Services to state and local government customers include systems development, integration and operational support in the areas of welfare reform, municipal services, children and family services, transportation, and telecommunications. Commercial systems businesses include information technology services, computer peripheral products, real-time 3-D graphics products and enterprise data management software. This sector also provides Parent's affiliated companies with internal information systems support.

The Aeronautics sector operates in the following primary lines of business: tactical aircraft, airlift, surveillance/command, maintenance/modification/logistics, reconnaissance and advanced development programs. Programs include the F-22 air-superiority fighter, Joint Strike Fighter, F-16 multirole fighter, C-130J tanker/transport, X-33 reusable launch vehicle technology demonstrator, DarkStar reconnaissance vehicle, Airborne Early Warning & Control systems, Contractor Logistics Support and a variety of maintenance and modification programs for aircraft such as U.S. Navy P-3s and U.S. Air Force KC-10s, as well as the Big Safari modification program for special operations forces.

The Energy & Environment sector's activities primarily focus on the management of various U.S. Department of Energy ("DOE") facilities, environmental management and remediation, and enrichment services. Parent is the largest management and operations contractor within the DOE's system of laboratories, managing energy research and defense programs at, among other facilities, the Sandia National Laboratories, the Idaho National Engineering and Environmental Laboratory and the Oak Ridge National Laboratory. These contractual arrangements provide for Parent to be reimbursed for the cost of operations and receive a fee for performing management services. Only the management fees are reflected within Parent's net sales and earnings. Parent is one of two competitors for the DOE's Tank Waste Remediation System-Privatization program.

Formation of Global Telecommunications was announced on August 11, 1998. Global Telecommunications is comprised of Lockheed Martin Intersputnik, Ltd., a joint venture between Parent and Moscow-based Intersputnik that is scheduled to deploy its first satellite in 1999; AstrolinkTM International Ltd., a Parent strategic venture that will provide global interactive multimedia services using next-generation broadband satellite technology; Communications Systems, which markets commercial satellite communications systems capabilities; the elements of Lockheed Martin Management Data Systems and Lockheed Martin Western Development Laboratories that provide commercial communications capabilities; and Satco (Asia), LLC, Parent's joint venture with GE Americom that is scheduled to launch a satellite next year that will serve broadcasters in the Asia-Pacific region. If the Offer and the Merger are consummated, the Surviving Corporation will be part of Global Telecommunications.

Financial Information. Set forth below is a summary of certain consolidated financial data with respect to Parent and its subsidiaries, excerpted or derived from audited financial information presented in Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "Parent 1997 10-K"), and the unaudited financial information contained in Parent's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (the "Parent 10-Q"). The financial information summary set forth below is qualified in its entirety by reference to the Parent 1997 10-K and the Parent 10-Q and the other documents, financial information and related notes contained therein which have been filed with the Commission, which are hereby incorporated herein by reference. Such reports and other documents may be inspected and copies may be obtained from the Commission, or the NYSE in the manner set forth below under "Available Information."

LOCKHEED MARTIN CORPORATION

SUMMARY CONSOLIDATED FINANCIAL DATA

	(UNAUDITED) SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	1998	1997	1997	1996	1995
	(IN MILLIONS, EXCEPT PER SHARE DATA)				
OPERATING RESULTS					
Net sales	$ 12,737	$ 13,572	$28,069	$26,875	$22,853
Costs and expenses:					
Cost of sales	11,481	12,279	25,772	24,594	20,881
Merger related and consolidation expenses	--	--	--	--	690
Earnings from operations	1,256	1,293	2,297	2,281	1,282
Other income and expenses, net	70	73	482	452	95
	1,326	1,366	2,779	2,733	1,377
Interest expense	434	402	842	700	288
Earnings before income taxes	892	964	1,937	2,033	1,089
Income tax expense	334	366	637	686	407
Net earnings (loss)	$ 558	$ 598	$ 1,300	$ 1,347	$ 682
EARNINGS (LOSS) PER COMMON SHARE					
Basic:*					
Before deemed preferred stock dividend	$ 2.98	$ 3.08	$ 6.73	$ 6.80	$ 3.28
Deemed preferred stock dividend	--	--	(9.85)	--	--
Earnings (loss) per share	$ 2.98	$ 3.08	$ (3.12)	$ 6.80	$ 3.28
Diluted:*					
Before deemed preferred stock dividend	$ 2.94	$ 2.77	$ 6.09	$ 6.09	$ 3.09
Deemed preferred stock dividend	--	--	(8.55)	--	--
Earnings (loss) per share	$ 2.94	$ 2.77	**	$ 6.09	$ 3.09
Cash dividends	$ .80	$ .80	$ 1.60	$ 1.60	$ 1.34

- - --------

* In 1997, Parent reacquired all of its outstanding Series A preferred stock resulting in a deemed dividend of $1,826 million. For purposes of computing net earnings applicable to common stock, the deemed preferred stock dividend was deducted from 1997 net earnings.

** Antidilutive.

	(UNAUDITED) JUNE 30, 1998	DECEMBER 31, 1997	DECEMBER 31, 1996
	(IN MILLIONS)		
CONDENSED BALANCE SHEET DATA (AT END OF PERIOD)			
Current assets	$11,301	$10,105	$10,346
Property, plant and equipment	3,613	3,669	3,721
Intangible assets related to contracts and programs acquired	1,491	1,566	1,767
Cost in excess of net assets acquired	9,732	9,856	10,394
Other assets	3,420	3,165	3,312
Total	$29,557	$28,361	$29,540
Short-term borrowings	$ 1,598	$ 494	$ 1,110
Current maturities of long-term debt	579	876	180
Other current liabilities	8,019	7,819	7,382
Long-term debt	10,183	10,528	10,188
Post-retirement benefit liabilities	1,941	1,982	2,077
Other liabilities	1,501	1,486	1,747
Stockholders' equity	5,736	5,176	6,856
Total	$29,557	$28,361	$29,540

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

Except as described in this Offer to Purchase, none of Parent or the Purchaser or, to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto or any associate or majority owned subsidiary of Parent, the Purchaser or such persons beneficially owns any equity security of the Company, and none of Parent or the Purchaser or, to the best knowledge of Parent or the Purchaser, any of the persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing has effected any transaction in any equity security of the Company during the past 60 days.

Except as described in this Offer to Purchase, none of Parent or the Purchaser or, to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, without limitation, 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, guarantees of loans, guarantees against loss or the giving or withholding of proxies. Except as described in this Offer to Purchase, none of Parent or the Purchaser or, to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto has had any transactions with the Company or any of its executive officers, directors or affiliates that would require reporting under the rules of the Commission.

Marcus C. Bennett, Executive Vice President and Chief Financial Officer and a director of Parent, and Caleb B. Hurtt, a director of Parent, each also serves on the Board of Directors of the Company. Mr. Bennett joined the Company's Board of Directors in August 1997. He serves on the Board's Committee on Audit, Corporate Responsibility and Ethics and on the Board's Finance Committee. Mr. Hurtt joined the Company's Board of Directors in May 1996. He is the Chairman of the Board's Committee on Compensation and Management Development and serves on the Board's Nominating and Corporate Governance Committee. Mr. Hurtt holds options to purchase 9,922 shares of Company Common Stock, of which options with respect to 3,480 shares are presently exercisable or will be exercisable within sixty days. Mr Bennett holds options to purchase 4,961 shares of Company Common Stock, none of which are currently exercisable. Both Mr. Hurtt and Mr. Bennett have elected to defer receipt of annual retainer fees and instead have received phantom stock units which are not included in their beneficial ownership of Company Common Stock. Mr. Hurtt's account holds a balance of 2,775 phantom stock units, and Mr. Bennett's account holds a balance of 2,009 phantom stock units. To avoid any

actual or perceived conflict of interest, each of Mr. Bennett and Mr. Hurtt recused himself from the deliberations relating to the transaction conducted by both Boards.

Except with respect to the transactions contemplated by the Merger Agreement, the Shareholders Agreement, the Registration Rights Agreement, and the Carrier Acquisition Agreement (collectively, the "Transaction Agreements") and as described in this Offer to Purchase, there have been no contacts, negotiations or transactions between Parent or the Purchaser, or their respective subsidiaries, or to the best knowledge of Parent or the Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its executive officers, directors or affiliates, on the other hand, 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.

Parent and its affiliates have, from time to time, had contractual relationships with the Company and its affiliates in the ordinary course of their respective businesses. Parent is a customer of Labs and most recently, in June, 1998, awarded a contract to Labs for in-orbit testing of a mobile telephone communications satellite.

Available Information. Parent is subject to the informational and reporting requirements of the Exchange Act and Parent 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 officers, their remuneration, stock options granted to them, the principal holders of Parent's securities, any material interests of such persons in transactions with Parent, and other matters, is required to be disclosed in proxy statements distributed to Parent's respective shareholders and filed with the Commission. These reports, proxy statements and other information are available for inspection and copies may be obtained in the same manner as set forth for the Company under "Available Information" in Section 8. Shares of Parent Common Stock are listed on the NYSE, and reports, proxy statements and other information concerning Parent are available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

10. SOURCE AND AMOUNT OF FUNDS. The Purchaser estimates that the total amount of funds required to consummate the Offer and the Merger and to pay related fees and expenses will be approximately $1.2 billion. See Sections 12 and 16. The Purchaser expects to obtain these funds from Parent by means of a capital contribution or advance at the time Shares tendered pursuant to the Offer are accepted for payment. Parent, in turn, expects to obtain the funds necessary to make the capital contribution or advance utilizing any one or more of the following methods: (i) monetization of Parent's equity holdings in Loral Space & Communications Ltd. and L-3 Communications Corporation and Parent's partnership interest in Iridium LLC, (ii) internally generated funds, (iii) issuance of commercial paper or other short term instruments, and (iv) borrowing capacity under its existing or future credit facilities. No final decisions have been made by Parent concerning the specific source of funds to be used to purchase the Shares. Neither the Offer nor the Merger is conditioned on obtaining financing.

11. BACKGROUND OF THE OFFER; CONTACTS WITH THE COMPANY.

Parent, as a leading provider of communications satellites, space launch vehicles, information and communications systems, and systems integration services, has identified in its strategic plans over the past several years the commercial satellite communications services market as an attractive growth opportunity for Parent. This market opportunity was, and is, viewed as consistent with Parent's strategy to grow into closely related market sectors to augment Parent's core aerospace and defense businesses. In light of the potential for expansion into this market, the management and Board of Directors of Parent have periodically reviewed potential market entry strategies, including but not limited to the possibility of internal investments, joint ventures and strategic alliances, and acquisitions and business combinations with companies participating in the commercial telecommunications services industry.

On August 5, 1997, Parent and the Company entered into confidentiality agreements, in customary form, pursuant to which, among other things, Parent and the Company agreed to maintain the confidentiality of information provided by the other.

On August 7 and 8, 1997, several members of the management of the Company met with members of the management of Parent. The parties discussed the overall market environment of the satellite telecommunications industry and

each company's strategies regarding that market. The Company's management also discussed with Parent the regulatory and legislative environment under which the Company operates.

Over the next several weeks, a series of meetings occurred at which various business, financial, legal, and regulatory issues were discussed. Parent's management also held discussions with outside counsel regarding the regulatory aspects of a potential transaction. Parent's management also solicited and received advice from Bear Stearns regarding valuation, transaction structuring and the financial implications of a potential transaction. At a regularly scheduled meeting of the Board of Directors of Parent held on September 25, 1997, the Board reviewed Parent's commercial telecommunications strategy and the strategic and financial implications of a potential transaction with the Company.

Subsequent to Parent's Board of Directors meeting, the management of Parent and the Company met to discuss the terms and structure of a possible transaction. No agreement was reached, and the parties agreed to put the discussions on hold pending further strategic reviews by the parties. Parent took the opportunity to engage a number of outside consultants to review and supplement Parent's commercial telecommunications strategy.

Commencing in early January, 1998, the parties held a series of meetings to continue to pursue alternative transaction structures within the legislative and regulatory framework constraining the Company. These alternatives included structures involving varying degrees of equity ownership of the Company as well as potential joint ventures involving the Company's non-regulated businesses. At a regularly scheduled Parent Board of Directors meeting on February 26, 1998, Parent's management updated the directors on the status of discussions with the Company and reiterated management's interest in a transaction.

Meetings continued during March and early April in which the parties primarily discussed alternative transaction structures and sources of potential synergies between the two corporations. At a regularly scheduled meeting of Parent's Board of Directors held on April 23, 1998, the business of the Company and the pro forma financial implications of a potential transaction were discussed. During May and June 1998, discussions between the parties continued, focusing on further exploration of alternative transaction structures and the evolving regulatory and legislative environment.

At a regularly scheduled Parent Board of Directors meeting held on June 26, 1998, the results of a review by a Parent task force, which included participation by outside consultants and which validated Parent's commercial telecommunications strategy, was presented and Parent's Board of Directors was updated on the status of the discussions with the Company and the implications of a potential transaction. On the same day, the parties, representatives of Bear Stearns and representatives of DLJ met to discuss transaction structures and valuations, and potential timetables to reach a conclusion for the negotiations. Over the subsequent three weeks, a number of meetings between the parties were held to further define the transaction structure, exchange preliminary drafts of transaction documentation, and discuss transaction valuations.

At a regularly scheduled Board of Directors meeting of Parent held on July 23, 1998, management presented a detailed summary of the status of discussions. During the week of July 27, members of management and counsel for the companies met with outside counsel and investment banking advisors to discuss and negotiate specifics regarding the transaction structure and related issues. In the ensuing weeks, the parties engaged in ongoing negotiations with a view toward finalizing the terms and conditions of a transaction, with active participation by investment bankers, outside counsel and regulatory counsel. As a result of significant progress toward an agreement on terms, the parties reached an agreement to hold simultaneous Boards of Directors meetings on Sunday, August 30, to seek approval of the transaction if progress continued. However, due to volatility in the stock markets on Thursday, August 27, concerns related to economic instability in certain regions (including, Russia, Asia, Central and South America and other emerging markets), additional issues that arose in the negotiations related to those developments and the fact that certain issues proved more difficult to address than had been anticipated, the parties subsequently agreed that Board of Directors meetings would be premature.

Negotiations continued and sufficient progress was made in resolving outstanding issues such that the parties agreed to seek Board approval at the regularly scheduled Company Board of Directors meeting on September 18, 1998 and a special Parent Board of Directors meeting that same day.

A special telephonic meeting of the Parent Board of Directors to consider the proposed transaction began at approximately 5:00 p.m. on September 18, 1998 and continued for several hours. The presentation to and discussion by the Parent Board of Directors 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; (ii) the strategic value of the proposed transaction and the possible effects of the transaction on Parent's shareholders, operations, customers and future growth, and its financial condition and prospects; and (iii) the current state of the telecommunications industry and trends in the foreseeable future. A summary of the financial implications of the transaction was also provided. In addition, Bear Stearns presented its view as to possible market reactions and competitive responses to the potential transaction. The General Counsel of Parent also reviewed with Parent's Board the transaction structure and various legal and regulatory issues relating to the proposed transaction. In addition, Bear Stearns rendered its opinion to the Parent Board of Directors that the transactions contemplated by the Merger Agreement, taken as a whole, were fair from a financial point of view to the shareholders of Parent. After receiving such advice and after reviewing various additional information relating to the transaction, the Parent Board of Directors unanimously (with the exception of directors who were absent or who recused themselves) approved the terms and conditions of the proposed transaction with the Company, including the terms and conditions of the Merger Agreement and the other transaction documents contemplated thereby.

During the period from August 1997 through September 1998, the Company's management made a number of presentations to the Company's Board of Directors and the Strategic Planning Committee of the Company's Board of Directors as to the discussions with Parent and proposed transaction terms and structure. The Company's Board of Directors were briefed by management and considered the strategic aspects of the Transaction or alternative structures at various meetings held in 1997 (including on August 15, September 19, October 17 and November 21) and in 1998 (including on January 16, February 20, April 17, May 15, July 17 and September 18). The Strategic Planning Committee of the Company's Board of Directors also were briefed by management and considered the strategic aspects of the Transaction or alternative structures at various meetings held in 1997 (including on August 15, September 10, September 17, October 8, November 20, and December 22) and in 1998 (including on January 8, January 15, February 9, March 6, April 16, May 14, June 10, June 12, June 17, July 16, August 21, September 15, and September 18). In certain of those instances, the Strategic Planning Committee met in joint session with the Finance Committee of the Company's Board of Directors. During the same period, management consulted frequently with DLJ, the Company's financial advisor for the Transaction. DLJ also participated in certain of the meetings with Parent, Bear Stearns, the Company's Board of Directors and the Strategic Planning Committee. The Company's Board of Directors approved the transactions by unanimous vote (excluding directors who either were absent or recused themselves) at its regularly scheduled meeting on September 18, 1998. The factors considered in approving the Merger Agreement and the transactions contemplated thereby, and in recommending that shareholders tender their Shares pursuant to the Offer, are described in the Company's Solicitation/Recommendation Statement on Schedule 14D-9, which is being mailed to shareholders of the Company herewith. Following the conclusion of Parent's Board of Directors meeting on the evening of Friday, September 18, 1998, the parties executed the Merger Agreement and the other Transaction Agreements and publicly announced the Merger on Sunday, September 20.

12. PURPOSE OF THE OFFER AND THE MERGER; PLANS FOR THE COMPANY; THE MERGER AGREEMENT; SHAREHOLDERS AGREEMENT; REGISTRATION RIGHTS AGREEMENT; CARRIER ACQUISITION AGREEMENT.

Purpose of the Offer and the Merger. The purpose of the Offer is to enable Parent to acquire a significant equity interest in the Company while remaining below the ownership limitations imposed by the Satellite Act. Following the Offer and subsequent to the repeal or amendment of the Satellite Act as is necessary in order to permit the Merger, Parent and Acquisition Sub intend to acquire the remaining equity interest in the Company not acquired in the Offer by consummating the Merger. Upon consummation of the Merger, the Surviving Corporation will become a wholly-owned subsidiary of Parent. Accordingly, the Shares will cease to be publicly traded and will no longer be quoted on the NYSE.

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER, WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE

REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR. SEE SECTION 14.

Plans for the Company. It is expected that, initially following the Merger, the business and operations of the Company will continue without substantial change and that Parent will integrate the Company with Parent's existing telecommunications business. Parent will continue to evaluate the business and operations of the Company during the pendency of the Offer and the Merger and after the consummation of the Offer and the Merger, and will take such further actions as it deems appropriate under the circumstances then existing. Such actions could include changes in the Company's business, corporate structure, Articles of Incorporation, By-Laws, capitalization or management, although, except as disclosed in this Offer to Purchase, Parent has no current plans with respect to any of such matters. Following consummation of the Offer but prior to consummation of the Merger, Parent will have the right to nominate and vote for only three (3) out of fifteen (15) members of the Board of Directors of the Company, and Parent will not control the Company during such period.

Under the Satellite Act, as currently in effect, assuming the Purchaser receives approval of the FCC to be an Authorized Carrier, (i) Parent, the Purchaser and their affiliates are prohibited from owning in excess of 50% of the issued and outstanding Company Common Stock, minus any shares held by other Authorized Carriers and (ii) Parent and the Purchaser are prohibited from voting the Shares acquired in the Offer for more than three candidates for the Board of Directors of the Company. It is a condition to consummation of the Merger, but not to consummation of the Offer, that the Satellite Act have been amended or repealed in a manner necessary to permit the consummation of the Merger as contemplated by the Merger Agreement.

The Merger Agreement.

The following is a summary of certain provisions of the Merger Agreement. The summary is qualified in its entirety by reference to the Merger Agreement which is incorporated herein by reference and a copy of which has been filed with the Commission as an exhibit to the Schedule 14D-1. The Merger Agreement may be examined and copies may be obtained at the place and in the manner set forth in Section 8, "Available Information," of this Offer to Purchase.

The Offer. The Merger Agreement provides that the Purchaser will commence the Offer and that, upon the terms and subject to the prior satisfaction or waiver of the Offer Conditions (which are set forth in Section 14), the Purchaser will purchase the Maximum Number of Shares validly tendered pursuant to the Offer. The Merger Agreement provides that the Purchaser may modify and extend the terms of the Offer as described in Section 1. Subject to the terms and conditions of the Offer, the Purchaser shall pay, as soon as reasonably practicable after it is permitted to do so under applicable law, for all Shares validly tendered and not withdrawn (subject to proration, if applicable). See Sections 1 and 4.

The Merger. The Merger Agreement provides that, subject to the terms and conditions thereof, and in accordance with the DCBCA and the Delaware General Corporation Law (the "DGCL"), at the effective time of the Merger (the "Effective Time"), the Forward Merger will be effected as soon as practicable following the satisfaction or waiver of certain conditions to the Merger (as outlined in Section 12) or on such other date as the parties hereto may agree; provided, however, that if certain conditions relating to the tax treatment of the Merger and the receipt of certain governmental approvals (as outlined in Section 12) are not satisfied, then the Reverse Merger shall be effected. At the Effective Time, if the Forward Merger is effected, then the separate existence of the Company shall cease and Acquisition Sub shall continue as the surviving corporation under the name "COMSAT Corporation" or, if the Reverse Merger is effected, then the separate existence of Acquisition Sub shall cease and the Company shall continue as the Surviving Corporation.

If the Forward Merger is consummated, the Certificate of Incorporation and By-Laws of Acquisition Sub, each 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, except that Article FIRST of the Certificate of Incorporation shall be amended so that it reads in its entirety as follows: "The name of the corporation is COMSAT Corporation." If the Reverse Merger is consummated, the Articles of Incorporation of the Company shall be amended at the Effective Time to read in their entirety as set forth in an exhibit to the Merger Agreement and shall be the Articles of Incorporation of the Surviving Corporation, and the By-Laws of the Company as in effect at the Effective Time shall be the By-Laws of the Surviving Corporation, each until amended in accordance with applicable law.

Consideration to be Paid in the Merger. In the Merger, each Share issued and outstanding immediately prior to the Effective Time (other than shares of Company Common Stock held in the treasury of the Company, held by the Purchaser, held by Parent, if any, and Dissenting Shares, if any) will be converted into the right to receive 0.5 shares of Parent Common Stock, subject to adjustment as provided in the Merger Agreement (the "Merger Consideration").

The Merger Agreement provides that each share of Company Common Stock held in the treasury of the Company, each share of Company Common Stock held by the Purchaser, and each share of Company Common Stock held by Parent, if any, immediately prior to the Effective Time shall be cancelled and retired and cease to exist and no consideration shall be received therefor; provided, that shares of Company Common Stock 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 of their respective subsidiaries shall be deemed not to be held by Parent, the Purchaser or the Company regardless of whether Parent, the Purchaser or the Company has, directly or indirectly, the power to vote or control the disposition of such shares of Company Common Stock.

In addition, the Merger Agreement provides that in the case of the Forward Merger, each share of common stock, par value $1.00 per share, of Acquisition Sub issued and outstanding immediately prior to the Effective Time shall remain outstanding as one share of the Surviving Corporation, or in the case of the Reverse Merger, be converted into and exchangeable for one share of common stock of the Surviving Corporation.

Surviving Corporation's Directors and Officers. The directors of Acquisition Sub 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. The officers of the Company 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.

Dissenting Shares. Shares of Company Common Stock which are issued and outstanding immediately prior to the Effective Time and which are held by shareholders 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 Section 29-373 of the DCBCA shall not be converted into or be exchangeable for the right to receive the Merger Consideration, 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 DCBCA. 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 Merger Consideration.

Stock Options and Awards. The Merger Agreement provides that, except as provided below, as of the Effective Time, Parent shall assume all options (the "Company Stock Options") granted under the Company's Stock Option Plans (the "Company Stock Option Plans") and any program of the Company or any of its subsidiaries that affords employees and directors of the Company and its subsidiaries the opportunity to acquire shares of Company Common Stock, each as amended (the "Company Stock Plans"). Each Company Stock Option outstanding at the Effective Time shall be deemed to constitute an option to acquire, on the same terms and conditions, mutatis mutandis, as were applicable under such Company Stock Option prior to the Effective Time, (i) the number of shares of Parent Common Stock as the holder of such Company Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such Company Stock Option in

full immediately prior to the Effective Time (not taking into account whether or not such option was in fact then exercisable), (ii) at a price per share equal to (x) the aggregate exercise price for Company Common Stock otherwise purchasable pursuant to such Company Stock Option divided by (y) the number of shares of Parent Common Stock deemed purchasable pursuant to such assumed Company Stock Option, provided that the number of shares of Parent Common Stock that may be purchased upon exercise of any such option and other right to acquire shares of Parent Common Stock (the "Parent Stock Option") shall not include any fractional share and, upon exercise of any such Parent Stock Option, a cash payment shall be made for any fractional share based on the last sale price per share of Parent Common Stock on the trading day immediately preceding the date of exercise. The Company shall amend each other benefit plan, agreement or arrangement that provides benefits or payments by reference to the price of the Company Common Stock, other than the Company Stock Option Plans, to provide that as of and after the Effective Time, the payments or benefits shall be measured by reference to the price of shares of Parent Common Stock, determined in like manner to the adjustments prescribed above with respect to the exercise price of Company Stock Options and the number of shares of the Company Common Stock into which Company Stock Options are exercisable. In respect of each Company Stock Option to be converted into options or rights to acquire Parent Common Stock, Parent has agreed to file as soon as practicable after the Effective Time with the Commission, and keep current the effectiveness of, a registration statement on Form S-8 or other appropriate form for as long as such options or rights remain outstanding (and maintain the current status of the prospectus with respect thereto). Parent has agreed to reserve for issuance a number of shares of Parent Common Stock equal to the number of shares of Parent Common Stock issuable under the Company Stock Options. In the Merger Agreement, the Company has agreed to terminate each employee stock purchase plan it maintains for its or any of its subsidiaries' employees no later than the Effective Time.

The Merger Agreement also provides that the Company shall cause to be amended certain plans (the "Plans") and/or the Company's Board of Directors shall adopt a resolution to provide that (i) for purposes of certain of the Company's Plans, neither the execution of the Merger Agreement, the consummation of the transactions contemplated by the Merger Agreement nor approval of the Merger Agreement or the transactions contemplated thereby by the Company's Board of Directors or shareholders shall be a "Change in Control" of the Company (or any similar triggering event resulting in the acceleration or other change in the terms of benefits payable under the Plans); and (ii) for the purposes of certain of the Company's Plans, a "Change in Control" of the Company (or any similar triggering event resulting in the acceleration or other change in the terms of benefits payable under the Plans) shall occur at the Effective Time.

The Merger Agreement also provides that, for a period of at least one year following the Effective Time, Parent shall, or shall cause the Surviving Corporation to, provide each of the Company's employees with qualified plan and employee welfare plan benefits (other than plans provided exclusively to management) which are comparable in the aggregate to the qualified plan and welfare plan benefits (other than plans provided exclusively to management) provided to such employees of the Company immediately prior to the Effective Time. As of the Effective Time, Parent will assume and will cause the Surviving Corporation to assume in accordance with their terms all Plans and agreements listed on a disclosure schedule to the Merger Agreement.

Approval Required; Shareholders Meeting. The DCBCA requires, among other things, that the adoption of any plan of merger or consolidation of the Company must be approved by the Board of Directors of the Company and by the holders of two-thirds (2/3) of the Company's outstanding shares of Company Common Stock. The Board of Directors of the Company has approved the Offer, the Merger and the Merger Agreement; consequently, the only additional corporate action of the Company that is necessary to effect the Merger is approval by the Company's shareholders. See also"--Conditions to the Merger" and "Certain Conditions of the Offer" for a discussion of other conditions that must be satisfied prior to the consummation of the Offer and the Merger. Under the DCBCA, the affirmative vote of holders of two-thirds (2/3) of the outstanding Shares (including any Shares owned by the Purchaser) is generally required to approve the Merger.

Pursuant to the Merger Agreement, the Company will duly call a special meeting of its shareholders (the "Company Shareholders Meeting") at such time as determined by Parent, after consultation with the Company, for the purpose of voting upon the Merger and the adoption of the Merger Agreement. The Merger Agreement

provides that in connection with the Company Shareholders Meeting, Parent will, in cooperation with the Company, (i) as soon as reasonably practicable after the date of the Merger Agreement, prepare and file with the Commission preliminary proxy materials which shall constitute the Proxy Statement/Prospectus in connection with the Merger and a registration statement on Form S-4 with respect to the issuance of Parent Common Stock in the Merger, together with any other materials required to be filed with the Commission in connection with the Merger. Each of Parent and the Company shall use all reasonable efforts to have such Proxy Statement/Prospectus and any supplement or amendment thereto cleared by the Commission and kept effective as long as is necessary to consummate the Merger. The Proxy Statement/Prospectus will be mailed to the shareholders of the Company prior to the Company Shareholders Meeting. The Company has agreed, subject to its fiduciary duties under applicable law, to include in the proxy statement the recommendation of the Board of Directors that shareholders of the Company vote in favor of the approval of the Merger and the adoption of the Merger Agreement.

THE OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF THE SHAREHOLDERS OF THE COMPANY. ANY SUCH SOLICITATION WHICH THE COMPANY, PARENT, ACQUISITION SUB OR THE PURCHASER MIGHT MAKE WOULD BE MADE ONLY PURSUANT TO SEPARATE PROXY OR SOLICITATION MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(A) OF THE EXCHANGE ACT, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER.

Interim Operations. The Company has agreed that during the period from the date of the Merger Agreement until the Effective Time (except as permitted by, or described in, the Merger Agreement or as consented to in writing by Parent, which consent will not be unreasonably withheld or delayed) the business of the Company and its subsidiaries shall be conducted according to its ordinary course, using commercially reasonable efforts to preserve intact its business organization and goodwill and maintain satisfactory relationships with those persons having business relationships with them, and using commercially reasonable efforts to keep available the services of its officers and employees. In addition, subject to the exceptions described above and exceptions described in the Company's disclosure schedule to the Merger Agreement, both of the Company and its subsidiaries:

(i) except as required to give effect to changes in law, shall not amend their respective articles of incorporation or by-laws or other comparable governing instruments in a manner that would adversely affect the consummation of the transactions contemplated by, or otherwise adversely affect the rights of Parent or its subsidiaries under, any Transaction Agreement;

(ii) shall not, and shall not permit any of its subsidiaries to, issue any shares of their capital stock or Equity Securities (as defined below) (except by the Company as permitted by the Merger Agreement, in connection with the Company Stock Options that are outstanding on the date of the Merger Agreement or which may thereafter be granted as permitted by the Merger Agreement under Company Stock Plans or shares of Company Common Stock pursuant to nondiscretionary grants under the current terms of any benefit plan existing as of the date of the Merger Agreement), or grant, confer or award any options, appreciation rights, warrants, conversion rights, restricted stock, stock units, performance shares or other rights, not existing on the date of the Merger Agreement, with respect to any shares of its capital stock or other Equity Securities of the Company or its subsidiaries except that, during the twelve-month period beginning upon the date of the Merger Agreement and ending on the first anniversary thereof and during each subsequent twelve-month period ending upon subsequent anniversaries thereof, the Company may grant Company Stock Options to acquire up to the number of shares of Company Common Stock as is equal to 1.5% of the number of issued and outstanding shares of Company Common Stock as of the end of the preceding fiscal year pursuant to the continued operation of the Company Stock Plans, and up to 200,000 shares of Company Common Stock during each calendar year beginning after the date of the Merger Agreement pursuant to the continued operation of the Company Employee Stock Purchase Plan, all in the ordinary course of business and consistent with past practice, or effect any stock split or otherwise change its capitalization. The term "Equity Securities" of a person means the capital stock of the person and all other securities (whether or not issued by such person but excluding any exchange traded or privately

granted options) convertible into or exchangeable or exercisable for any shares of its capital stock, all rights or warrants to subscribe for or to purchase, all options for the purchase of, and all calls, commitments, agreements, arrangements, undertakings or claims of any character relating to, any shares of its capital stock and any securities convertible into or exchangeable or exercisable for any of the foregoing;

(iii) shall not, and shall not permit any of its subsidiaries to, (A) declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock or other ownership interests (other than regular quarterly cash dividends not to exceed $0.05 per share of Company Common Stock and dividends and distributions from subsidiaries of the Company to the Company or another of its subsidiaries) or (B) directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock or capital stock of any of its subsidiaries, or make any commitment for any such action;

(iv) shall not pledge or otherwise encumber shares of capital stock of the Company or any of its subsidiaries;

(v) except (A) as required by law (including any amendment required to maintain the qualification of any benefit plan intended to be "qualified" under Section 401(a) of the Code), or (B) as contemplated by the Merger Agreement, shall not, (a) except in the ordinary course of business and consistent with past practice, enter into or amend any employment or similar agreements or arrangements with any of its directors or executive officers, (b) amend or otherwise change the terms of any benefit plan in any manner which would constitute a material change in plan design or materially increase the cost of a benefit plan, including, without limitation, amend any employment, severance or similar agreements or arrangements in existence on the date of the Merger Agreement, (c) adopt any new employee benefit plans, programs or arrangements or any severance or similar agreements or arrangements, or (d) except in the ordinary course of business and consistent with past practice, increase any compensation, bonus or other benefits payable to any current or former director or executive officer;

(vi) shall not transfer, sell, lease, license or dispose of any material lines of business, subsidiaries, divisions, operating units or facilities (other than facilities currently closed or currently proposed to be closed) outside the ordinary course of business or enter into any material commitment or transaction outside the ordinary course of business;

(vii) shall not, and shall not permit any of its subsidiaries to, authorize, propose or announce an intention to authorize or propose to another person, or enter into an agreement with respect to, any merger, consolidation or business combination, any acquisition of assets of whatever nature, tangible, intangible, real or personal ("Assets") or Equity Securities (other than the purchase of Assets in the ordinary course of business), any disposition of Assets or Equity Securities (other than the disposition of Assets or Equity Securities in the ordinary course of business) or any release or relinquishment of any contract rights in which, in any such case, the aggregate consideration is in excess of $5 million for any individual transaction or $20 million for all of such transactions in any one year period or which would materially adversely affect the ability of the Company or any of its subsidiaries to consummate any of the transactions contemplated by the Merger Agreement. For purposes of this paragraph (vii), paragraph (ix), paragraph (x)(B) and paragraph (xii) only, any actions taken by the Company to preserve substantially (or to increase or decrease such interest by no more than 2.0% in any fiscal year) its ownership interest in INTELSAT or Inmarsat existing on the date of the Merger Agreement in connection with (A) annual share redeterminations and adjustments or (B) pursuant to capital calls approved by the governing bodies of INTELSAT or Inmarsat in accordance with their charter documents, shall be deemed to be in the ordinary course of the Company's business;

(viii) shall not make any material tax election other than in the ordinary course of business and consistent with past practice, or settle or compromise any tax liability in excess of $3 million arising from or in connection with any single issue;

(ix) shall not make or agree to make any capital expenditures other than (A) expenditures in the ordinary course of business, (B) capital expenditures that are consistent with the Company's strategic business plans (the "Company Business Plans") and (C) additional capital expenditures not in excess of $5 million;

(x) except in the ordinary course of business and except as consistent with the Company Business Plans, shall not, and shall not permit any of its subsidiaries to, (A) incur, create, assume or otherwise become liable for borrowed money or assume, guarantee, endorse or otherwise become responsible or liable for the obligations of any other person (other than the Company and its subsidiaries) in excess of $5 million per occurrence and $20 million in the aggregate or (B) make any loans or advances to any other person (other than the Company and its subsidiaries) in excess of $5 million per occurrence and $20 million in the aggregate;

(xi) except as required by law or generally accepted accounting principles ("GAAP"), shall not effect any material change in any of its methods of accounting in effect as of December 31, 1997;

(xii) except as provided in the Shareholders Agreement, shall not impose limitations not already in existence on the date of the Merger Agreement, not imposed on other shareholders of the Company, on the enjoyment by any of Parent and its subsidiaries of the legal rights generally enjoyed by shareholders of the Company;

(xiii) shall not pay, discharge or satisfy any material liabilities, other than the payment, discharge or satisfaction of any such liability (A) reflected or reserved against in, or contemplated by, the financial statements (or the notes thereto) of the Company and its subsidiaries, (B) incurred in the ordinary course of business or (C) which is legally required to be paid, discharged or satisfied;

(xiv) shall not adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of the Company or any plan of merger or consolidation of any of its subsidiaries in which such subsidiary is not the surviving entity;

(xv) shall not, and shall not permit any of its subsidiaries to, take any action which would make any representation or warranty of the Company contained in the Merger Agreement untrue or incorrect in any material respect as of the Effective Time;

(xvi) shall not fail to take reasonable efforts to cause the Merger to constitute a reorganization within the meaning of Section 368(a) of the Code; and

(xvii) shall not enter into a legally binding commitment with respect to, or any agreement to take, any of the foregoing actions.

The Merger Agreement also provides that any actions taken pursuant to U.S. Government instruction and any actions taken in good faith by the Company or its subsidiaries in connection with the planned privatization of INTELSAT or Inmarsat shall not be considered a breach of its obligations under the Merger Agreement. Notwithstanding the foregoing, other than as described in the Merger Agreement or pursuant to the existing INTELSAT Documents, the Existing Inmarsat Documents, or the Inmarsat Restructuring Documents or the New Skies Documents (as such terms are defined in the Merger Agreement), the Company shall not:

(i) sell, transfer, assign or dispose of or agree to sell, transfer, assign or dispose of the INTELSAT Interests or the Inmarsat Interests (each as defined in the Merger Agreement) (including, without limitation, by entering into any options with respect thereto);

(ii) enter into any voting rights, proxy or other agreement with respect to the voting of any of the INTELSAT Interests or the Inmarsat Interests that would be binding on Parent, the Company or their respective subsidiaries following the Merger;

(iii) enter into any lock-up, standstill or other similar agreement (a "Lock-Up Agreement") with respect to the INTELSAT Interests or the Inmarsat Interests that would be binding on Parent, the Company or their respective subsidiaries following the Merger; provided that the Company or its subsidiaries may enter into a Lock-Up Agreement in connection with an initial public offering by INTELSAT, Inmarsat or New Skies Satellites, N.V., on terms that are usual and customary to those entered into by directors, affiliates or significant shareholders in similar transactions; or

(iv) take any other action or omit to take any action (including by way of votes in the INTELSAT Board of Governors or Meeting of Signatories, or the Inmarsat Council, in either case except to the extent instructed to the contrary by the U.S. Government, pursuant to the Satellite Act) which would reasonably be expected to materially impair the economic value of or any of the rights associated with the INTELSAT Interests or the Inmarsat Interests; provided, that the Company shall not be required to force a vote to be held on a matter in any of the foregoing bodies where consistent with past practice such decision would be decided by consensus rather than a vote.

No Solicitation. The Merger Agreement provides that the Company shall, and shall cause its subsidiaries and their respective officers, directors, employees, consultants, investment bankers, accountants, attorneys and other advisors, representatives and agents (collectively, "Company Representatives") to immediately cease any discussions or negotiations with any person that may be ongoing with respect to any Acquisition Proposal (as defined below). The Company shall not, nor shall it permit any of its subsidiaries to, nor shall it authorize or permit any Company Representative to, directly or indirectly, (i) solicit or initiate, or knowingly encourage the submission of, any Acquisition Proposal or (ii) participate in any discussions or negotiations regarding, or furnish to any person (other than Parent or its representatives or affiliates) any information, that may reasonably be expected to lead to, an Acquisition Proposal; provided, however, that if, prior to the Company Shareholders Meeting, the Company's Board of Directors determines in good faith, based upon advice of independent counsel, that it is necessary to do so in order to comply with its fiduciary duties to the Company's shareholders under applicable law, the Board of Directors may permit the Company in response to an Acquisition Proposal that was not solicited by the Company or its officers, directors or employees (x) to furnish information (including any non-public information) with respect to the Company (including its subsidiaries) and afford access to its properties, books and records pursuant to a confidentiality agreement designed to reasonably protect the confidentiality of such information, and (y) to participate in discussions or negotiations regarding such Acquisition Proposal. The term "Acquisition Proposal" means any proposal or offer from any person (other than Parent or its representatives or affiliates) to acquire, directly or indirectly, in one or more transactions, assets (including, without limitation, the capital stock of subsidiaries) of the Company or any of its subsidiaries having an aggregate value equal to more than 10% of the market capitalization of the Company, any tender offer or exchange offer that if consummated would result in any person beneficially owning more than 10% of any class of Equity Securities of the Company, any merger, consolidation, business combination, sale of all or substantially all the assets, recapitalization, liquidation, dissolution or similar transaction involving the Company, other than the transactions contemplated by the Merger Agreement; provided that no transaction specified in the Merger Agreement shall be deemed to be an Acquisition Proposal.

Except as set forth in the Merger Agreement, neither the Company's Board of Directors nor any committee thereof shall (i) withdraw, modify or materially qualify (or publicly propose to withdraw, modify or materially qualify) its approval or recommendation of the Offer, the Merger or the Merger Agreement, (ii) approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal or (iii) enter, or publicly propose to enter, into any agreement with respect to any Acquisition Proposal. Notwithstanding the foregoing, in the event that, prior to the Company Shareholders Meeting, the Company's Board of Directors determines in good faith, based upon advice of independent counsel, that it is necessary to do so in order to comply with its fiduciary duties to the Company's shareholders under applicable law, the Board of Directors of the Company may terminate the Merger Agreement pursuant to the terms of the Merger Agreement solely in order to concurrently enter into a definitive agreement to effect a Superior Proposal. The term "Superior Proposal"

means any bona fide proposal or offer from one or more persons (other than Parent and its affiliates) to acquire, directly or indirectly, in one or more transactions for consideration consisting of cash and/or securities, more than 50% of the shares of Company Common Stock then outstanding or all or substantially all the assets of the Company and its subsidiaries taken as a whole, and otherwise on terms which the Company's Board of Directors determines in its good faith judgment (based on the advice of a financial advisor of nationally recognized reputation) to be more favorable to the holders of Company Common Stock than are the Offer and the Merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of the Board of Directors of the Company (based on the advice of a financial advisor of nationally recognized reputation), is reasonably capable of being financed by such person. Nothing contained above shall prohibit the Company from taking and disclosing to its shareholders a position contemplated by Rule 14e-2(a) under the Exchange Act or from issuing a communication meeting the requirements of Rule 14d-9(e); provided, however, that neither the Company nor its Board of Directors (or any committee thereof) shall, except as otherwise permitted in the Merger Agreement, withdraw, modify or materially qualify (or publicly propose the foregoing) the Company's position with respect to the Offer, the Merger or the Merger Agreement or approve or recommend, or publicly propose to approve or recommend, an Acquisition Proposal.

The Merger Agreement requires the Company to advise Parent orally and in writing of the Company's receipt of any Acquisition Proposal, any request for information or an inquiry that could lead to or is otherwise related to any Acquisition Proposal, the identity of the person making such request or Acquisition Proposal and the material terms of any such Acquisition Proposal. The Company is under an obligation to keep Parent fully informed of the status and terms (including amendments) of any such request or Acquisition Proposal, unless the Board of Directors determines in good faith, based upon advice of independent counsel, that it is necessary not to do so in order to comply with its fiduciary duties to the Company's shareholders under applicable law.

Reasonable Efforts. The Merger Agreement provides that the parties thereto shall use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable law to consummate and make effective the transactions contemplated thereby. Each party agrees to cooperate and use its respective reasonable efforts to promptly make all filings and obtain all consents and approvals of Governmental Authorities (including, without limitation, the FCC) and other persons necessary to consummate the transactions contemplated thereby including, without limitation, to permit Parent and the Purchaser to consummate the Carrier Acquisition, to cause the Purchaser to become an Authorized Carrier and to consummate the Offer and the Merger. The parties agree to each use all reasonable efforts to resolve any objections as may be asserted under any Antitrust Law or any other applicable law, with respect to any transaction contemplated by the Merger Agreement. If any administrative, judicial or legislative action or proceeding is initiated (or threatened to be initiated) or any other action is taken by any person challenging any transaction contemplated by the Merger Agreement as violative of any Antitrust Law or any other applicable law, the parties agree to cooperate to contest and resist any such action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction, ruling, decision, finding or other order (whether temporary, preliminary or permanent) or other official action or decision of any Governmental Authority that is in effect and that restricts, prevents or prohibits consummation of any transaction contemplated by the Merger Agreement, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal. Notwithstanding the foregoing:

(i) in no event shall Parent or its subsidiaries be required to agree to hold separate or to divest any of their respective businesses or assets, or agree to any other restriction or condition with respect to the acquisition or ownership of any of their respective businesses or assets or the conduct or operation of any of their respective businesses or assets, or following the consummation of the Offer or the Merger, of the Company or any of its subsidiaries, as may be required (i) by any applicable Governmental Authority (including, without limitation, the Federal Trade Commission, the Antitrust Division of the Department of Justice or any state attorney general) in order to resolve such objections as such Governmental 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 any person 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 any transaction contemplated by the Merger Agreement, if the Board of Directors of Parent determines in good faith that any such agreement to hold separate or to divest or agreement to other restriction or condition is not in the best interests of Parent; and

(ii) Except for seeking review by the full FCC of any FCC staff decision denying any application to permit Parent or the Purchaser to consummate the Carrier Acquisition, to cause the Purchaser to become an Authorized Carrier or to consummate the Offer, Parent is not required to undertake or continue any contest or resistance of an action or pending legal proceeding or take any other action if, after taking into account advice of independent counsel with respect to relevant matters, including, without limitation, the likely outcome of the action or proceeding, the timing thereof and the likely costs related thereto, the Board of Directors of Parent determines in good faith that undertaking or continuing any such contest or resistance or taking any such other action is not in the best interests of Parent.

Directors' and Officers' Insurance; Indemnification. The Merger Agreement provides that, 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 Articles of Incorporation and By-Laws and agreements in effect on the date of the Merger Agreement (to the extent consistent with applicable law as of the Effective Time), which provisions will survive the Merger and continue in full force and effect after the Effective Time, in each case consistent with applicable law. Parent shall, and shall cause the Surviving Corporation to, periodically advance expenses (including attorneys' fees) as incurred by an Indemnified Party with respect to the foregoing to the extent required under the Company's Articles of Incorporation and By-laws in effect on the date of the Merger Agreement (to the extent consistent with applicable law) and 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. In the Merger Agreement, Parent guarantees the obligation of the Surviving Corporation provided for above.

The Merger Agreement also provides that, 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 in the aggregate) 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 of the Merger Agreement 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.

Conditions to the Merger. The Merger Agreement provides that the respective obligations of the Company, Parent and Acquisition Sub to consummate the Merger are subject to the satisfaction or waiver of the following conditions:

(i) the Purchaser shall have purchased Shares pursuant to the Offer;

(ii) the Satellite Act, and other applicable laws, shall have been amended or repealed, and all applicable proceedings before the FCC or other Governmental Authority (as defined below) necessary to implement such amendment or repeal shall have been completed to the extent necessary to permit the consummation of the Merger as contemplated by the terms of the Merger Agreement;

(iii) any applicable waiting period related to the Merger under the Antitrust Laws shall have terminated or expired and all consents or approvals required under the Antitrust Laws shall have been received;

(iv) the Parent Common Stock to be issued in the Merger and such other shares to be reserved for issuance in connection with the Merger shall have been approved upon official notice of issuance for listing on the NYSE;

(v) the Form S-4 shall have been declared effective by the Commission under the Securities Act. No stop order suspending the effectiveness of the Form S-4 shall have been issued by the Commission and no proceedings for that purpose shall have been initiated or threatened by the Commission; and

(vi) the shareholders of the Company shall have approved the Merger and the Merger Agreement pursuant to Section 29-367 of the DCBCA.

In addition, the obligations of Parent and Acquisition Sub to effect the Merger are further subject to the satisfaction at or prior to the Effective Time of the following conditions:

(i) (A) after the date of the Merger Agreement, there shall not have been any change in existing law or any new law promulgated, enacted, enforced or deemed applicable to the Company or to the transactions contemplated by the Merger Agreement nor (B) shall INTELSAT or Inmarsat have adopted a plan for privatization, or have been privatized, in whole or in part, in a manner or pursuant to terms and conditions (or, in the case of an adopted plan, proposed terms and conditions), in the case of either clause (A) or clause (B) that Parent determines in good faith (after consultation with the Company) would reasonably be expected to have a Significant Adverse Effect (as defined below);

(ii) all consents and approvals from Governmental Authorities (including the FCC) or any other person required for the consummation of the Merger as contemplated by the terms of the Merger Agreement shall have been granted, except where the failure to obtain such consent or approval, individually or in the aggregate, would not reasonably be expected to have a Significant Adverse Effect; and

(iii) since the date of the Merger Agreement, there shall not have occurred any event that has had or would reasonably be expected to have a Significant Adverse Effect.

The Merger Agreement also provides that the obligation of each party to effect the Forward Merger is further subject to the satisfaction at or prior to the Effective Time of the following conditions and if any of the following conditions are not satisfied, but the conditions set forth in the paragraphs above are satisfied, the Reverse Merger shall be effected:

(i) the aggregate fair market value of the Parent Common Stock, deliverable pursuant to the Merger Agreement upon consummation of the Forward Merger, based upon the most recent closing price of such stock on the NYSE Composite Tape on the last full trading day prior to the Effective Time (the "Stock Value"), would be at least 40% of the sum of (A) the Stock Value, (B) the aggregate amount paid by Parent to purchase Shares pursuant to the Offer, (C) cash payable in respect of Dissenting Shares (assuming for these purposes that the per share amount payable in respect of Dissenting Shares is $50), and (D) cash

payable in respect of fractional shares (assuming for these purposes that each holder of record of Company Common Stock as of the close of the last trading day prior to the Effective Time is entitled to receive $50 in respect of fractional share interests);

(ii) the Company and Parent shall have received a written tax opinion from their respective counsel stating that the Forward Merger will be treated for U.S. federal income tax purposes as a reorganization qualifying under the provision of Section 368(a) of the Code; and

(iii) all required consents or approvals from governmental authorities (including the FCC) or any other person shall have been obtained to permit the consummation of the Forward Merger, except where the failure to obtain such consent or approval, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company's business.

For purposes of the Merger Agreement the term "Significant Adverse Effect" means a Material Adverse Effect on the Company (as hereinafter defined, but including, for purposes of determining whether there has been a Significant Adverse Effect, any effects or changes arising out of, resulting from or relating to general economic, financial or industry conditions) of such seriousness and significance that a reasonable businessperson in similar circumstances would not proceed with the Merger on the terms and conditions set forth in the Merger Agreement.

The term "Material Adverse Effect," means any change or effect that is materially adverse to (i) the business, properties, operations, results of operations or financial condition of the referenced person and its subsidiaries, taken as a whole, other than any effects or changes arising out of, resulting from or relating to general economic, financial or industry conditions or (ii) the ability of any of the referenced person and its subsidiaries to perform its obligations under the Merger Agreement and the Carrier Acquisition Agreement.

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER, WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR THAT ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR. SEE SECTION 14.

Representations and Warranties. In the Merger Agreement, the Company has made customary representations and warranties to Parent and Acquisition Sub with respect to, among other things, its organization, capitalization, financial statements, public filings, conduct of business, compliance with laws, litigation, non-contravention, consents and approvals, opinions of financial advisors, undisclosed liabilities and the absence of certain changes with respect to the Company since June 30, 1998.

Termination; Fees. 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 shareholders of the Company) prior to the Effective Time:

(i) by mutual written consent of the Company and Parent;

(ii) by the Company or Parent if any court of competent jurisdiction in the U.S. or other U.S. governmental authority shall have issued a final decree, or other order or taken any other final action restraining, enjoining or otherwise prohibiting the consummation of the Offer or the Merger and such decree or other order or other action is or shall have become nonappealable;

(iii) by Parent if, due to an occurrence or circumstance which would result in a failure to satisfy any of the closing conditions to the Merger (as outlined in Section 14), Parent shall have (A) failed to commence

the Offer within the time required by Regulation 14D under the Exchange Act, (B) terminated the Offer without the purchase of any Shares thereunder or (C) failed to accept for payment and pay for Shares pursuant to the Offer prior to the one year anniversary of the date of the Merger Agreement; provided that Parent may not terminate pursuant to this paragraph if Parent is in material breach of the Merger Agreement;

(iv) by the Company if (A) there shall not have occurred a material breach of any representation, warranty, covenant or agreement of the Company or any of its subsidiaries contained in the Merger Agreement and Parent shall have (I) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (II) terminated the Offer without the purchase of any Shares thereunder or (III) failed to accept for payment and pay for Shares pursuant to the Offer on or prior to the one year anniversary of the date of the Merger Agreement or (B) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company or any committee thereof shall have (I) determined that an Acquisition Proposal is a Superior Proposal, and approved a definitive agreement to effect such Superior Proposal and directed the authorized officers of the Company to execute and deliver such definitive agreement concurrently with the effectiveness of the termination of the Merger Agreement pursuant to paragraph (iv)(B) or (II) adopted any resolution to effect any of the foregoing; provided, that such termination under this paragraph (iv)(B) shall not be effective until payment of the Termination Fee required by the Merger Agreement (as defined below);

(v) by Parent prior to the purchase of Shares pursuant to the Offer, if (A) there shall have occurred a breach of any representation or warranty of the Company or its subsidiaries contained in the Merger Agreement that would reasonably be expected to have a Material Adverse Effect on the Company or would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer, (B) there shall have occurred a breach of any covenant or agreement of the Company or its subsidiaries contained in the Merger Agreement that has or would reasonably be expected to have a Material Adverse Effect on the Company or that would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer, which shall not have been cured prior to the earlier of (I) ten days following notice of such breach and (II) two business days prior to the date on which the Offer expires, (C) the Board of Directors of the Company or any committee thereof shall have (I) determined that an Acquisition Proposal is a Superior Proposal, (II) withdrawn, modified or materially qualified (including by amendment of the Schedule 14D-9) in a manner adverse to Parent or Acquisition Sub its approval or recommendation of the Offer, the Merger or the Merger Agreement, (III) recommended to the Company's shareholders another Acquisition Proposal, (IV) adopted any resolution to effect any of the foregoing, or (D) the Minimum Condition shall not have been satisfied upon the expiration of the Offer and at or prior to such time a person or group (other than Parent or Acquisition Sub) shall have commenced, publicly proposed or publicly disclosed an Acquisition Proposal;

(vi) by the Company prior to the purchase of Shares pursuant to the Offer if (A) there shall have occurred a breach of any representation or warranty of Parent or Acquisition Sub contained in the Merger Agreement that would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer or (B) there shall have occurred a material breach of any covenant or agreement of Parent or Acquisition Sub contained in the Merger Agreement that would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer which shall not have been cured prior to the earlier of (I) ten days following notice of such breach and (II) two business days prior to the date on which the Offer expires;

(vii) by Parent or the Company if the shareholders of the Company shall not have approved the Merger and the Merger Agreement at the Company Shareholders Meeting, including any postponement or adjournment thereof, on or before the one year anniversary of the date of the Merger Agreement; or

(viii) by the Company or Parent if (A) there shall not have occurred a material breach of any representation, warranty, covenant or agreement of such party contained in the Merger Agreement and (B) the Effective Time shall not have occurred on or before the two year anniversary of the date of the Merger Agreement.

The Merger Agreement also provides that if any of the following shall occur:

(i) The Company or Parent terminates the Merger Agreement pursuant to paragraph (v)(D) or paragraph (vii) above and, within 12 months thereafter,

the Company or any of its subsidiaries enters into

an agreement with respect to an Acquisition Proposal, or an Acquisition Proposal is consummated, involving any person or affiliate, or any group in which such person (or any affiliate thereof, or any group in which such person or affiliate is a member) (A) with whom the Company or any Company Representative had discussions with respect to an Acquisition Proposal, (B) to whom the Company or any Company Representative furnished information with respect to an Acquisition Proposal or (C) who had commenced, publicly proposed or publicly disclosed an Acquisition Proposal or expressed to the Company an interest in an Acquisition Proposal, 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) The Company terminates the Merger Agreement pursuant to paragraph (iv)(B) above;

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 paragraph (iv)(B) above, a fee, in cash, of $75 million (the "Termination Fee"); provided, that the Company in no event shall be obligated to pay more than one such Termination Fee with respect to all such agreements and occurrences and such termination.

Fees and Expenses. Except as specifically provided in the Merger Agreement or the Registration Rights Agreement, each party shall bear its own expenses incurred in connection with the transactions contemplated by the Transaction Agreements, including, without limitation, out-of-pocket costs, and fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants as well as fees and expenses incident to the negotiation, preparation and execution of the Transaction Agreements and related documentation, preparation of filings and consents with Governmental Authorities and other persons, and any litigation resulting from the execution of the Transaction Agreements; provided, that in the event the Termination Fee becomes payable, the Company shall, upon the receipt of documentation in form reasonably satisfactory to the Company, promptly reimburse Parent and its subsidiaries in cash in immediately available funds, for any of the foregoing expenses of Parent or its subsidiaries, up to $5.0 million in the aggregate.

Shareholders Agreement.

The following is a summary of the material terms of the Shareholders Agreement. This summary is qualified in its entirety by reference to the Shareholders Agreement which is incorporated herein by reference, a copy of which has been filed with the Commission as an exhibit to the Schedule 14D-1. The Shareholders Agreement may be examined and copies may be obtained at the place and in the manner as set forth in Section 8 of this Offer to Purchase.

In connection with the execution of the Merger Agreement, the Company has entered into a Shareholders Agreement dated as of September 18, 1998, with Parent pursuant to which promptly after the consummation of the Offer, but in any event within thirty (30) days thereafter and from time to time thereafter until the consummation of the Merger or until the Shareholders Agreement is otherwise terminated, the Company will take all actions necessary to cause (i) the election as directors of the Company of three individuals selected by Parent (collectively, the "Parent Designees"), (ii) the appointment of a Parent Designee as a member of the Committee on Audit, Corporate Responsibility and Ethics, the Committee on Compensation and Management Development, the Finance Committee, the Nominating and Corporate Governance Committee, the Committee on Research and International Matters and the Strategic Planning Committee (or committees having similar functions) of the Company's Board of Directors (collectively, the "Committees"), and (iii) if any such Parent Designee shall cease to be a director for any reason, the filling of the vacancy resulting thereby with and individual selected by Parent (such individual thereafter being a Parent Designee). Any Parent officer or employee serving as a director of the Company will be deemed a Parent Designee. Notwithstanding the foregoing, with respect to any election of directors at any meeting of shareholders of the Company that occurs after the consummation of the Offer, the Company shall be deemed to have satisfied its obligations under clause (i) of the foregoing sentence if the three Parent Designees are included on the Company's slate of nominees for election at such meeting of shareholders. The Shareholders Agreement further provides that the Company agrees not to amend or repeal the provisions of Section 3.08 of its By-Laws permitting any three directors to call a special meeting of the board of directors or otherwise amend its Articles of Incorporation or By-Laws in any manner that would adversely affect the rights of Parent or its subsidiaries under the Shareholders Agreement or the Registration Rights Agreement.

The Shareholders Agreement also provides that the Company shall, at Parent's request, cause its directors to adopt resolutions (i) to approve an amendment to the Company's articles of incorporation to eliminate the transfer restrictions set forth in Section 5.03(c) of the Company's articles of incorporation (the "Amendment"), (ii) to direct that the Amendment be submitted to a vote of the shareholders of the Company and (iii) to recommend approval of the Amendment by the shareholders of the Company.

The Shareholders Agreement also prohibits Parent and its affiliates from, among other things: (i) purchasing more than 49% of the issued and outstanding shares of Company Common Stock, unless otherwise approved by the Company, (ii) selling or otherwise transferring (a "Transfer") any of their beneficial ownership of shares of Company Common Stock, except in compliance with applicable law and upon receipt of any necessary approvals of any governmental authority, (iii) other than a Transfer which has been approved by the Company's Board of Directors, Transferring any Shares except through a bona fide public offering of Company Common Stock pursuant to a registration statement effective under the Securities Act or through a bona fide open market "brokers" transaction as permitted by Rule 144 under the Securities Act and (iv) soliciting proxies with respect to the Company in opposition to any matter which has been recommended by the Company's Board of Directors or in favor of any matter which has not been approved by the Company's Board of Directors.

Registration Rights Agreement.

The following is a summary of the material terms of the Registration Rights. This summary is qualified in its entirety by references to the Registration Rights Agreement which is incorporated herein by reference, copy of which as been filed with the Commission as an exhibit to the Schedule 14D-1. The Registration Rights Agreement may be examined and copies may be obtained at the place and in the manner as set forth in Section 8 of this Offer to Purchase.

In connection with the Merger Agreement, Parent and the Company have entered into the Registration Rights Agreement dated as of September 18, 1998 pursuant to which, after the termination of the Merger Agreement and assuming the Purchaser acquired Company Common Stock pursuant to the Offer, the Parent has the right (the "Demand Registration Right") to require the Company to prepare and file up to five registration statements under the Securities Act to register shares of Company Common Stock held by Parent. However, the Company is not required to effect a registration of Company Common Stock for less than 3,000,000 Shares in the aggregate. In addition, if with respect to an underwritten offering, the managing underwriter advises against proceeding with such offering because the number of Shares proposed to be included in such offering would adversely affect the offering, Parent can request, subject to the limitation described above, registration of the maximum number of Shares which it is advised can be sold without adverse effect. Expenses related to the exercise of the Demand Registration Right will generally be payable by the Company.

Under the Registration Rights Agreement, Parent also has the right (the "Piggy-Back Registration Right"), with respect to any underwritten offerings, including registered offerings, of Company Common Stock for cash proposed by the Company, to require the Company to include Company Common Stock held by Parent in such offering and registration, except the Company shall not be required to effect a registration of Company Common Stock owned by Parent in any registration statement on Form S-4 or S-8 or a registration statement filed in connection with an exchange offer or other offering of securities solely to the then existing shareholders of the Company. Expenses relating to exercises of the Piggy-Back Registration Right will generally be payable by the Company.

In other respects, the Registration Rights Agreement contains terms that are customary to registration rights agreements of its type including mutual indemnification provisions and black-out provisions relating to the prohibition of the sale of shares of the Company's Common Stock for a certain period of time.

Carrier Acquisition Agreement.

The following is a summary of the material terms of the Carrier Acquisition Agreement. This summary is qualified in its entirety by references to the Carrier Acquisition Agreement which is incorporated herein by reference, copy of which as been filed with the Commission as an exhibit to the Schedule 14D-1. The Carrier

Acquisition Agreement may be examined and copies may be obtained at the place and in the manner as set forth in Section 8 of this Offer to Purchase.

In connection with the Merger Agreement and to facilitate consummation of the Offer and the Merger, the Company has entered into a Carrier Acquisition Agreement dated as of September 18, 1998 with Parent, the Purchaser and CGSI, pursuant to which CGSI will be merged with and into the Purchaser (the "Carrier Acquisition") as soon as practicable following the satisfaction or waiver of the conditions set forth in the Carrier Acquisition Agreement, or on such other date as the parties may agree, but in all events prior to the consummation of the Offer. At the effective time of the Carrier Acquisition, the separate existence of CGSI shall cease and the Purchaser shall continue as the surviving entity under the name "COMSAT Government Systems, LLC."

In the Carrier Acquisition, the Purchaser will acquire the common carrier telecommunications business of CGSI. In connection with this transaction, the Purchaser will seek the approvals from appropriate Governmental Authorities (including the FCC) necessary to continue the common carrier telecommunications business of CGSI and to purchase the Maximum Number of Shares pursuant to the terms of the Offer.

13. DIVIDENDS AND DISTRIBUTIONS. As described above, the Merger Agreement provides that, prior to the Effective Time, the Company and each of its subsidiaries shall not, without the prior written consent of Parent, (i) declare or pay any dividend on or make other distributions (whether in stock, cash or property) in respect of any of its capital stock, except regular quarterly cash dividends not to exceed $0.05 per Share and dividends from subsidiaries of the Company to the Company or another of its subsidiaries or (ii) directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock of any of its subsidiaries or make any commitment for any such action.

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) other than as permitted by the Merger Agreement, issue or sell, or enter into any arrangement or contract with respect to the issuance or sale of, any additional securities (including rights, options or warrants, conditional or otherwise) of the Company or otherwise cause an increase in the number of outstanding securities (including rights, options or warrants, conditional or otherwise) of the Company, or (iii) acquire currently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares, then, subject to the provisions of the Merger Agreement, the Purchaser, in its sole judgment, may make such adjustments in the Offer Price and the other terms of the Offer as it deems appropriate in the Offer Price and other terms of the Offer (including, without limitation, the number and type of securities offered to be purchased, the amounts payable therefor and the fees payable hereunder).

If, on or after the date of the Merger Agreement, the Company should, other than as permitted by the Merger Agreement, declare or pay any cash or stock dividend or other distribution (including the issuance of any securities) on or issue any rights with respect to the Shares payable or distributable to shareholders of record on a date before the transfer to the name of the Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares accepted for payment pursuant to the Offer, then, subject to the provisions of the Merger Agreement, (i) the Offer Price payable by the Purchaser pursuant to the Offer may, in the sole discretion of the Purchaser, be reduced by the amount of any such cash dividend or cash distribution and (ii) the whole of any such non-cash dividend, distribution or right (a) will be received and held by the tendering shareholder for the account of the Purchaser and shall be required to be promptly remitted and transferred by each tendering shareholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer and (b) at the direction of the Purchaser, will be exercised for the benefit of the Purchaser, in which case the proceeds of such exercise will be remitted promptly to the Purchaser. Pending such remittance and subject to applicable law, the Purchaser will be entitled to all rights and privileges as owner of any such non-cash 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.

Pursuant to the terms of the Merger Agreement, the Company is prohibited from taking any of the actions described in the preceding paragraphs and nothing herein shall constitute a waiver by the Purchaser or Parent of any of its rights under the Merger Agreement or a limitation of remedies available to the Purchaser or Parent for any breach of the Merger Agreement, including termination thereof.

If, on or after the date of the Merger Agreement, the outstanding shares of Parent Common Stock are changed into a different number or a different class or series of shares by reason of any reclassification, recapitalization, stock split, reverse stock split, combination or exchange of shares or any other similar transaction, or any dividend payable in stock or other securities shall be declared thereon with a record date within such period, the Merger Consideration shall be adjusted accordingly to provide to the holders of Company Common Stock the same economic effect as contemplated by the Merger Agreement prior to such reclassification, recapitalization, stock split, reverse stock split, combination, exchange or dividend.

14. CERTAIN CONDITIONS OF THE OFFER. Notwithstanding any other provisions of the Offer, in addition to (and not in limitation of) the Purchaser's rights pursuant to the Merger Agreement to, in its sole discretion, extend or amend the Offer at any time, the Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the Commission, including Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may delay the acceptance for payment of or, subject to the restriction referred to above, the payment for, any tendered Shares, and may terminate the Offer, if, in the sole judgment of the Purchaser, any of the following events occurs:

(i) immediately prior to the Expiration Date of the Offer, (A) any applicable waiting period under the Antitrust Laws shall not have terminated or expired and all consents or approvals required under the Antitrust Laws shall not have been received, (B) the Minimum Condition shall not have been satisfied, (C) the Shareholder Approval Condition shall not have been satisfied, (D) any of the Authorized Carrier Conditions shall not have been satisfied or (E) Parent or its subsidiaries shall not have the right to vote any of the shares without restriction or limitation except as expressly set forth in Section 303 of the Satellite Act (47 U.S.C. (S) 733); 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 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 (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) at any time prior to consummation of the Offer, except for changes permitted by the Merger Agreement and except where the failure to be so true and correct would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company; provided, that if any such failure to be so true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) is curable by the Company through the exercise of its reasonable efforts, then Parent may not terminate the Offer under this subsection (A) until ten business days after written notice thereof has been given to the Company by Parent and unless at such time the matter has not been cured; or

(B) 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 reasonably be expected to have a Material Adverse Effect on the Company; provided that, if any such breach is curable by the Company through the exercise of its reasonable efforts, then Parent may not terminate the Offer under this subsection (B) until ten business days after written notice thereof has been given to the Company by Parent and unless at such time the breach has not been cured; or

(C) (I) after the date of the Merger Agreement, there shall have been any change in existing law or any new law promulgated, enacted, enforced or deemed applicable to the Company or to the transactions contemplated by the Merger Agreement or (II) INTELSAT or Inmarsat shall have adopted a plan for privatization, or have been privatized, in whole or in part, in a manner or pursuant to terms and conditions (or, in the case of an adopted plan, proposed terms and conditions), in the case of either clause (I) or clause (II) that Parent determines in good faith (after consultation with the Company) would reasonably be expected to have a Material Adverse Effect on the Company; or

(D) any fact or circumstance exists or shall have occurred that has or would reasonably be expected to have a Material Adverse Effect on the Company; or

(E) there shall have occurred (I) any general suspension of trading in securities on the NYSE (other than intra-day trading halts), (II) the declaration of a banking moratorium or any suspension of payments in respect of banks in the U.S. (whether or not mandatory), (III) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the U.S. and that would reasonably be expected to have a Material Adverse Effect on the Company or would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer, (IV) any limitation or proposed limitation (whether or not mandatory) by any governmental authority or other instrumentality of the U.S. that materially adversely affects generally the extension of credit by banks or other financial institutions, or (V) in the case of any of the situations described in clauses (I) through (IV) inclusive, existing at the date of the commencement of the Offer, a material acceleration, escalation or worsening thereof; or

(F) (I) there shall have been a decline in the Standard & Poor's 500 Index of at least 27% from the date of the Merger Agreement through any given day (a "Measurement Date") prior to the termination or expiration of the Offer, and (II) the Standard & Poor's 500 Index shall also be at least 27% lower than on the date of the Merger Agreement on the earlier of (1) the close of trading on the next trading date at least 30 calendar days from such Measurement Date, and (2) the close of trading on the trading date immediately prior to the date on which the Expiration Date would otherwise occur, but for the failure to satisfy this condition; or

(G) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of the Company shall have (I) recommended an Acquisition Proposal that is a Superior Proposal, (II) withdrawn, modified or materially qualified in a manner adverse to Parent its approval or recommendation of the Offer, the Merger or the Merger Agreement, (III) recommended to the Company's shareholders another offer, or (IV) adopted any resolution to effect any of the foregoing which, in the sole judgment of Parent in any such case, and regardless of the circumstances (including any action or omission by Parent) giving rise to any such condition, makes it inadvisable to proceed with such acceptance for payment; or

(H) the Merger Agreement shall have been terminated in accordance with its terms.

The Merger Agreement provides that the foregoing conditions are for the sole benefit of Parent and may be asserted by Parent regardless of the circumstances giving rise to such conditions, or may be waived by Parent in whole or in part at any time and from time to time in its sole discretion. The failure by Parent or the Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER, WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR THAT ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR. SEE SECTION 14.

The term "Antitrust Laws" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, the EC Merger Regulations and all other federal, state and foreign laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade. The term "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 Council or Commission of the European Community or other organs of the European Union or European Community implementing such regulations.

15. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS.

General. Except as otherwise disclosed herein or as set forth in the Merger Agreement, based on a review of publicly available filings by the Company with the Commission, neither Parent nor the Purchaser is aware of (i) 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 pursuant to the Offer or the Merger or (ii) any approval or other action by any governmental, administrative or regulatory agency or authority, domestic or foreign, that would be required for the acquisition or ownership of Shares by the Purchaser as contemplated herein. Should any such approval or other action be required, the Purchaser currently contemplates that such approval or action would be sought, except as described below under "State Takeover Statutes." 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 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 the Purchaser or that certain parts of the businesses of the Company or the Purchaser 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. See Section 14.

FCC Approvals. CGSI holds an FCC authorization pursuant to Section 214 of the Communications Act of 1934, as amended (the "Communications Act") to provide international common carrier services on a resale basis. CGSI also holds two fixed earth station licenses with respect to earth stations located in Clarksburg, Maryland for the provision of international fixed satellite service. To obtain the FCC consent required to consummate the Carrier Acquisition, Parent, the Purchaser and the Company will apply to the FCC for the authority necessary to effect a transfer of control of CGSI. Pursuant to Section 304(b) of the Satellite Act, 47 U.S.C. (S)734(b) and the rules of the FCC, the Purchaser must be a common carrier and receive FCC authorization to become an Authorized Carrier and to acquire up to 49% of the Company's Common Stock as an Authorized Carrier.

Pursuant to the Communications Act, the Satellite Act and the rules of the FCC, the FCC will require the applicants in connection with each of these applications to show that grant of the applications is consistent with the public interest, convenience and necessity, and to show that the applicant is qualified to control such licenses and authorizations. There can be no assurance as to when and if the requisite FCC approvals will be obtained to permit, and satisfy the related conditions to, consummation of the Offer.

Satellite Act Amendment or Repeal and Further FCC Approvals. Section 304(b) of the Satellite Act, 47 U.S.C. (S)734(b), provides that only those common carriers that are Authorized Carriers may, in the aggregate, own up to 50% of the issued and outstanding Company Common Stock and that no stockholder, or syndicate or affiliated group of stockholders, other than an Authorized Carrier, shall own more than 10% of the Company's Common Stock. Section 304(f) of the Satellite Act, 47 U.S.C. (S)734(f) provides that, upon application to the FCC, and after notice and hearing, the FCC may compel any Authorized Carrier which owns shares of stock in the Company to transfer to the applicant, for a fair and reasonable consideration, a number of such shares as the FCC determines will advance the public interest and the purposes of the Satellite Act. Accordingly, until the amendment or repeal of the Satellite Act, Parent, the Purchaser, and their affiliates will be prohibited from owning in excess of 50% of the issued and outstanding Company Common Stock, minus any shares held by other Authorized Carriers.

Section 303 of the Satellite Act, 47 U.S.C. (S)733, sets forth requirements for the Board of Directors of the Company. The Board of Directors consists of fifteen persons, twelve of whom are elected annually by the shareholders and three of whom are appointed for three-year terms by the President of the United States, with the advice and consent of the Senate. No more than six members of the Board of Directors are to be elected by stockholders who are Authorized Carriers and, if Authorized Carriers in the aggregate own eight (8) percent or more of Company Common Stock, no Authorized Carrier may vote its shares for more than three candidates for

election to the Company's Board of Directors. Accordingly, until the amendment or repeal of the Satellite Act, Parent and the Purchaser will be prohibited from voting the Shares acquired in the Offer for more than three candidates for the Board of Directors of the Company.

It is a condition to consummation of the Merger, but not to consummation of the Offer, that the Satellite Act have been amended or repealed in a manner necessary to permit the consummation of the Merger as contemplated by the Merger Agreement. It is also a condition to the Merger that, after the date of the Merger Agreement, there shall have been no change in existing law or any new law promulgated, enacted, enforced or deemed applicable to the Company or to the transactions contemplated by the Merger Agreement that Parent determines in good faith (after consultation with the Company) would reasonably be expected to have a Significant Adverse Effect (as defined in Section 12). See Section 12. With respect to the Offer, it is a condition that there shall have been no change in existing law or any new law promulgated, enacted, enforced or deemed applicable to the Company or to the transactions contemplated by the Merger Agreement that Parent determines in good faith (after consultation with the Company) would reasonably be expected to have a Material Adverse Effect on the Company (as defined in Section 12). Parent and the Company each has agreed, pursuant to the Merger Agreement, to use all reasonable efforts to seek the amendment or repeal of the Satellite Act and any other applicable law, or the applicable provisions thereof, that would prohibit or limit the ability of Parent to acquire and own equity securities of the Company, to appoint all of the officers and directors of the Company following the merger, or to consummate the transactions contemplated by the Merger Agreement. Legislation currently is pending in Congress to amend the Satellite Act to repeal the current ownership and governance restrictions applicable to the Company and to encourage the privatization of INTELSAT and Inmarsat. There can be no assurance as to when and if the requisite repeal or amendment of the Satellite Act will be enacted, and whether any such repeal or amendment would permit, and satisfy the related conditions to, consummation of the Merger or would otherwise contain terms that would have a Material Adverse Effect or Significant Adverse Effect on the Company.

Parent expects that, following enactment of the amendment or repeal of the Satellite Act, Parent, the Purchaser and the Company will be required to apply to the FCC for the authority necessary to effect a transfer of control of the Company, in a process similar to the applications submitted by Parent and the Purchaser with respect to the transfer of control of CGSI. The precise nature of any approval requirement will depend upon the details of any amendment to or repeal of the Satellite Act. There can be no assurance as to when and if the requisite FCC approvals will be obtained in order to permit, and satisfy the related conditions to, consummation of the Merger.

Antitrust Compliance. Under the HSR Act, and the rules that have been promulgated by the FTC and the Antitrust Division, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. The acquisition of Shares pursuant to the Offer is subject to such requirements.

Representatives of Parent in a meeting with the staff of the FTC were informed that the government antitrust authorities intend to consider the various subparts of the transactions contemplated by the Merger Agreement as a single integrated merger transaction in which Parent proposes to acquire the Company in its entirety. Thus, rather than requiring separate filings of Notification and Report Forms ("HSR Notices") with respect to the (i) Carrier Acquisition, (ii) Offer, and (iii) Merger, only one filing of an HSR Notice will be required in which all three transactions will be considered. The waiting period with respect to the transactions (including the Offer) under the HSR Act will expire at 11:59 p.m., New York City Time, on the 30th calendar day after filing of HSR Notices by Parent and the Company, unless earlier terminated. If the Governmental Authority reviewing the transactions (one of the FTC or the Antitrust Division) elects to extend the period by requesting additional information or material from Parent and the Company, the waiting period will expire at 11:59 p.m., New York City Time, on the 20th calendar day after Parent and the Company have substantially complied with such request. Thereafter, the waiting period may be extended only by court order. Parent and the Company may agree to not close the transaction, even if the waiting period has expired, in order to allow the government additional time to review the transaction. Parent will not accept for payment Shares tendered pursuant to the Offer unless and until the waiting period requirements imposed by the HSR Act have expired or been terminated. If all elements of the transactions contemplated by the Merger Agreement have not closed within one year after the HSR Act waiting period expires or is terminated, any such remaining elements will require an additional filing under the HSR Act.

The FTC and the Antitrust Division frequently review the legality under the antitrust laws of transactions such as the proposed acquisition of Shares by the Purchaser pursuant to the Offer. At any time before or after the purchase of Shares pursuant to the Offer by the Purchaser, the FTC or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or the consummation of the Merger or seeking the divestiture of Shares purchased by the Purchaser or the divestiture of substantial assets of Parent, the Company or their respective subsidiaries. Private parties and state attorneys general may also bring legal action under federal or state antitrust laws under certain circumstances. Based upon an examination of information available to the Purchaser relating to the businesses in which Parent, the Purchaser, the Company and their respective subsidiaries are engaged, the Purchaser believes that the Offer will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if such a challenge is made, what the result would be. See Section 14 for certain conditions to the Offer.

There is a possiblility that filings may have to be made with foreign governments under their pre-merger notification statutes. The filing requirements of various nations are being analyzed by the parties and, where necessary, such filings will be made.

State Takeover Statutes. A number of states throughout the United States have enacted takeover statutes that purport, in varying degrees, to be applicable to attempts to acquire securities of corporations that are incorporated or have assets, shareholders, executive offices or places or business in such states. In Edgar v. MITE Corp., the Supreme Court of the United States held that the Illinois Business Takeover Act, which involved state securities laws that made the takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and therefore was unconstitutional. However, in CTS Corp. v. Dynamics Corp. of America, the Supreme Court of the United States 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 shareholders; provided that such laws were applicable only under certain conditions.

Based on information supplied by the Company, the Purchaser does not believe that any state takeover statutes purport to apply to the Offer or the Merger. Neither the Purchaser nor Parent has currently complied with any state takeover statute or regulation. The Purchaser reserves the right to challenge the applicability or validity of any state law purportedly applicable to the Offer or the Merger and nothing in this Offer to Purchase or any action taken in connection with the Offer or the Merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the Offer or the Merger and if an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer or the Merger, the Purchaser might be required to file certain information with, or to receive approvals from, the relevant state authorities, and the Purchaser might be unable to accept for payment or pay for Shares tendered pursuant to the offer, or be delayed in consummating the Offer or the Merger. In such case, the Purchaser may not be obliged to accept for payment or pay for any Shares tendered pursuant to the Offer.

Appraisal Rights. No appraisal rights are available in connection with the Offer. However, shareholders of the Company who do not vote in favor of the Merger will be entitled to receive an amount in cash representing the fair value of the shares possessed if certain specific procedures are followed. A shareholder wishing to exercise the statutory right to dissent pursuant to Section 29-373 of the DCBCA shall file with the Company at or before the Company Shareholders Meeting a written objection to the Merger. A vote against the Merger will not satisfy the requirement that a written objection be made to the Company. In addition, such shareholder must, within 20 days after the actual date of consummation of the Merger, make a written demand to the Surviving Corporation for payment of the fair value of the shares as of the day prior to the date on which the vote was taken approving the Merger. In exchange for the certificates representing such shares, the shareholder will be paid the fair value of such shares determined in accordance with the procedures described below. Such demand shall state the number and class of shares owned by the dissenting shareholder. A shareholder failing to make demand within the 20-day period shall be bound by the terms of the Merger.

If the fair value of the shares of any dissenting shareholder is agreed upon by such dissenting shareholder and the Surviving Corporation within the 30 days after consummation of the Merger, payment therefor will be

made by the Surviving Corporation within 90 days after the consummation of the Merger upon the surrender of the certificate or certificates representing such dissenting shareholder's shares. Upon payment of the agreed value, the dissenting shareholder will cease to have any interest in such shares or in the Surviving Corporation.

If within such period of 30 days the shareholder and the Surviving Corporation do not agree as to the fair value of the shares, then the dissenting shareholder may, within 60 days after the expiration of the 30-day period, file a petition in any court of competent jurisdiction within the District of Columbia asking for a finding and determination of the fair value of such shares, and will be entitled to judgment against the Surviving Corporation for the amount of such fair value as of the day prior to the date on which the vote was taken approving the Merger, together with interest thereon at a rate of five percent (5%) per annum to the date of the judgment. The judgment will be payable only upon and simultaneously with the surrender to the Surviving Corporation of the certificate or certificates representing such shares. Upon payment of the judgment, the dissenting shareholder will cease to have any interest in such shares or in the Surviving Corporation. The DCBCA provides that, unless the dissenting shareholder files such a petition within the time limits herein provided and as provided by the DCBCA, such shareholder and all persons claiming under him will be bound by the terms of the Merger.

16. FEES AND EXPENSES. Except as set forth below, neither Parent, Acquisition Sub nor the Purchaser will pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer.

Bear Stearns is acting as the Dealer Manager in connection with the Offer and is acting as financial advisor to Parent in connection with its effort to acquire the Company. Parent has agreed to pay Bear Stearns a tender fee of $3 million upon consummation of the Offer. Parent has also agreed to pay Bear Stearns an opinion fee of $3 million in connection with its rendering an opinion as to the fairness of the transactions contemplated by the Merger Agreement, from a financial point of view, to Parent's shareholders. If the Merger is consummated, or if an alternative transaction were to be completed resulting in the acquisition of 50% or more of the voting securities of the Company, Parent will pay to Bear Stearns a transaction fee of $11 million. Any tender fee or opinion fee will be credited toward the amount of such transaction fee.

Parent has also agreed to reimburse Bear Stearns (in its capacity as Dealer Manager and financial advisor) for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel, incurred in connection with its engagement, and to indemnify Bear Stearns and certain related persons against certain liabilities and expenses in connection with their engagement, including certain liabilities under the federal securities laws. Bear Stearns renders various investment banking and other advisory services to Parent and its affiliates and is expected to continue to render such services, for which it has received and will continue to receive customary compensation from Parent and its affiliates.

The Purchaser has retained Morrow & Co., Inc. to act as the Information Agent in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee shareholders to forward materials relating to the Offer to beneficial owners of Shares. The Information Agent will receive reasonable and customary compensation together with reimbursement for its reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses, including certain liabilities under the federal securities laws.

In addition, First Chicago Trust Company of New York has been retained as the Depositary. The Depositary has not been retained to make solicitations or recommendations in its role as Depositary. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses. Brokers, dealers, commercial banks and trust companies will be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding offering material to their customers.

17. MISCELLANEOUS. 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 the acceptance thereof would not be in compliance with the laws of such jurisdiction. Neither the Purchaser nor Parent is aware of any jurisdiction in which the making of the Offer or the tender of Shares

in connection therewith would not be in compliance with the laws of such jurisdiction. To the extent the Purchaser or Parent becomes aware of any state law that would

limit the class of offerees in the Offer, the Purchaser will amend the Offer and, depending on the timing of such amendment, if any, will extend the Offer to provide adequate dissemination of such information to holders of Shares prior to the expiration of the Offer.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF THE PURCHASER 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.

This Offer to Purchase contains statements which, to the extent that they are not recitations of historical fact, constitute "forward looking" statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "estimate," "anticipate," "project," "intend," "expect," and similar expressions are intended to identify forward looking statements. All forward looking statements involve risks and uncertainties, including, without limitations, statements and assumptions with respect to future revenues, program performance and cash flows, the outcome of contingencies, including litigation and environmental remediation, anticipated costs of capital investments and planned dispositions, and the consummation of the Offer and the Merger. Readers are cautioned not to place undue reliance on these forward looking statements which speak only as of the date of this Offer to Purchase. Parent does not undertake any obligation to publicly release any revisions to forward looking statements to reflect events or circumstances or changes in expectations after the date of this Offer to Purchase or to reflect the occurrence of unanticipated events. The forward looking statements in this document are intended to be subject to the safe harbor protection provided by Section 27A of the Securities Act and 21E of the Exchange Act. For a discussion identifying some important factors that could cause actual results to vary materially from those anticipated in the forward looking statements, see Parent's filings with the Commission.

Parent and the Purchaser have filed with the Commission a Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1"), together with exhibits, pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, furnishing certain additional information with respect to the Offer and may file amendments thereto. In addition, the Company has filed with the Commission the Schedule 14D-9 pursuant to Rule 14d-9 under the Exchange Act setting forth its recommendation with respect to the Offer and the reasons for such recommendation and furnishing certain additional related information. The Schedule 14D-9 is enclosed herewith and the Schedule 14D-1 and any amendments thereto, including exhibits, should be available for inspection and copies should be obtainable in the manner set forth in Section 8 (except that they will not be available at the regional offices of the Commission).

September 25, 1998 REGULUS, LLC

SCHEDULE I

INFORMATION CONCERNING THE DIRECTORS AND
EXECUTIVE OFFICERS OF PARENT AND THE PURCHASER

1. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT. Set forth in the table below are the names and the present principal occupations or employment and the name, principal business and address of any corporation or other organization in which such occupation or employment is conducted, and the five-year employment history of each of the directors and executive officers of Parent. Unless otherwise indicated, each person identified below is employed by Parent and is a United States citizen. The principal business address of Parent and, unless otherwise indicated, the business address of each person identified below is 6801 Rockledge Drive, Bethesda, Maryland 20817.

NAME	CURRENT POSITIONS AND OFFICES HELD WITH PARENT	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE
Vance D. Coffman	Chairman of the Board and Chief Executive Officer; Director	Chairman of the Board since April 1998 and Chief Executive Officer since August 1997; Vice Chairman of the Board from August 1997 to April 1998; Director since January 1996; President from June 1996 to July 1997; Chief Operating Officer from January 1996 to July 1997; Executive Vice President from January to June 1996; President and Chief Operating Officer, Space & Strategic Missiles Sector from March 1995 to December 1995; previously served in Lockheed Corporation as Executive Vice President, from 1992 to 1995 and President of Lockheed Space Systems Division from 1988 to 1992.
Norman R. Augustine	Director	Director since 1995 and Professor, Department of Mechanical and Aerospace Engineering, School of Engineering and Applied Science, Princeton University, since September 1997; Chief Executive Officer from January 1996 to August 1997; Vice Chairman from April 1996 to December 1996; President from March 1995 to June 1996; Chairman and Chief Executive Officer of Martin Marietta Corporation from April 1988 to March 1995; director of Martin Marietta from 1986 to 1995; director of The Black & Decker Corporation, Phillips Petroleum Company and Procter & Gamble Co.
Marcus C. Bennett	Executive Vice President and Chief Financial Officer; Director	Director since 1995 and Executive Vice President and Chief Financial Officer since July 1996; Senior Vice President and Chief Financial Officer from March 1995 to July 1996; Vice President and Chief Financial Officer of Martin Marietta Corporation from 1988 to 1995; director of Carpenter Technology, Inc., COMSAT Corporation and Martin Marietta Materials, Inc.; member of the Financial Executives Institute, MAPI Finance Council and The Economic Club of Washington; director of the Private Sector Council and a member of its CFO Task Force.

James A. Blackwell, Jr.	Sector President and Chief Operating Officer--Aeronautics	President and Chief Operating Officer, Aeronautics Sector since March 1995; previously served in Lockheed Corporation as Vice President and President from April 1993 to March 1995; served as an executive employee of Lockheed Aeronautical Systems Company from 1986 to March 1995.
Melvin R. Brashears	Sector President and Chief Operating Officer--Space & Strategic Missiles	President and Chief Operating Officer, Space & Strategic Missiles Sector since January 1996; Deputy, Space & Strategic Missiles Sector from November 1995 to December 1995; Executive Vice President of Lockheed Missiles & Space Company, Inc. from March 1995 to 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 & Space Company, Inc., from 1992 to 1995 and Director of Advanced Space Programs from 1991 to 1992.
Lynne V. Cheney	Director	Director since March 1995. Senior Fellow at the American Enterprise Institute for Public Policy Research since 1992; Chairman of the National Endowment for the Humanities from 1986 to 1992; director of Reader's Digest Association, Inc., American Express/IDS Mutual Fund Group and Union Pacific Group Resources, Inc.
Thomas A. Corcoran	Sector President and Chief Operating Officer--Electronics	President and Chief Operating Officer, Electronics Sector since March 1995; previously served in Martin Marietta Corporation as President, Electronics Group from April 1993 to March 1995; previously served at General Electric Corporation as Vice President and General Manager from 1990 to 1993.
Philip J. Duke	Vice President--Finance	Vice President Finance since July 1996; Chief Financial Officer, Space & Strategic Missiles Sector from March 1995 to July 1996; previously served as Vice President Finance, Martin Marietta Corporation from May 1994 to March 1995; Chief Financial Officer, Electronics Sector of Martin Marietta Corporation from April 1993 to May 1994; and Vice President Business Management of Martin Marietta Corporation from July 1987 to April 1993.

Houston I. Flournoy	Director	Director since March 1995; 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 from 1981 to 1993; Vice President for Governmental Affairs, University of Southern California, Los Angeles from 1978 to 1981; director of Lockheed Corporation from 1976 to 1995; director of Fremont General Corporation, Fremont Investment and Loan Corporation and Tosco Corporation.
James F. Gibbons	Director	Director since March 1995; Special Counsel to the President for Industry Relations, Stanford University, Stanford, California from 1996 to present; Dean of the School of Engineering, Stanford University from September 1984 to June 1996; Reid Weaver Dennis Professor of Electrical Engineering, Stanford University since 1983; director of Lockheed from 1985 to 1995; director of Raychem Corporation, Centigram Communications Corporation, Cisco Systems Incorporated and El Paso Natural Gas Company.
Edward E. Hood, Jr.	Director	Director since March 1995; Joined General Electric Company ("GE") in 1957 after service in the U.S. Air Force; elected as Vice President of GE in 1968 and Vice Chairman and Executive Officer of GE in 1979; director of GE from 1980 until his retirement in 1993; director of Martin Marietta Corporation from 1993 to 1995; director of The Lincoln Electric Company and Gerber Scientific, Inc.; Chairman Emeritus of the Board of Trustees of Rensselaer Polytechnic Institute; trustee of North Carolina State University.
Caleb B. Hurtt	Director	Director since March 1995; President and Chief Operating Officer of Martin Marietta Corporation from 1987 until his retirement in January 1990; Executive Vice President of Martin Marietta Corporation in 1987 and Senior Vice President from 1983 to 1987; director of Martin Marietta Corporation from 1987 to 1995; Chairman of the Board of Governors of the Aerospace Industries Association in 1989 and past Chairman of the NASA Advisory Council and of the Federal Reserve Bank, Denver Branch; director of COMSAT Corporation; past Vice Chairman of the Board of Trustees of Stevens Institute of Technology.

Gwendolyn S. King	Director	Director since March 1995; Senior Vice President of Corporate and Public Affairs for PECO Energy Company (formerly Philadelphia Electric Company) from October 1992 until her retirement in February 1998; Commissioner of the Social Security Administration from August 1989 to September 1992; director of Martin Marietta Corporation from 1992 to 1995; director of Monsanto Company and Marsh and McLennan Company.
Arthur E. Johnson	President and Chief Operating Officer--Information & Services	President and Chief Operating Officer Information & Services Sector since August 1997; President, Systems Integration Group from January to August 1997; President, Lockheed Martin Federal Systems, Inc. from January 1996 to January 1997; previously served as Vice President, Loral Federal Systems Group of Loral Corporation from January 1994 to January 1996; President and Chief Operating Officer of IBM Federal Systems Division from January 1993 to January 1994.
Todd J. Kallman	Vice President and Controller	Vice President and Controller since August 1997; Vice President Finance, Aeronautics Sector from July 1995 to August 1997; Vice President Business Management, Lockheed Martin Aeronautic Systems Company from June 1994 to July 1995; Vice President Finance, Lockheed Martin Aeronautic Systems Company from September 1992 to June 1994.
Vincent N. Marafino	Director	Director since March 1995; Executive Vice President of Lockheed Martin from March 1995 to December 1995; director of Lockheed Corporation from 1980 to 1995; Vice Chairman of the Board and Chief Financial and Administrative Officer of Lockheed Corporation from 1988 to 1995; Executive Vice President to Chief Financial and Administrative Officer of Lockheed Corporation from 1983 to 1988; Executive Officer of Lockheed Corporation from 1971 to 1995.
Frank H. Menaker, Jr.	Senior Vice President and General Counsel	Senior Vice President since July 1996; Vice President and General Counsel from March 1995 to July 1996, after having served in the same capacity for Martin Marietta Corporation since 1981.

Eugene F. Murphy	Director	Director since March 1995; Vice Chairman and Executive Officer of General Electric Company ("GE") since September 1997; President and Chief Executive Officer of GE Aircraft Engines from 1993 to September 1997; President and Chief Executive Officer of GE Aerospace from 1992 to 1993; Senior Vice President of GE Communications & Services from 1986 to 1992; director of Martin Marietta Corporation from 1993 to 1995; 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. In accordance with an agreement with GE, as the result of the aggregate principal amount of loans outstanding between GE and the Lockheed Martin Corporation, GE is entitled to nominate one director to the Lockheed Martin Corporation's Board. Mr. Murphy is that nominee.
Allen E. Murray	Director	Director since March 1995; Chairman of the Board and Chief Executive Officer of Mobil Corporation from 1986 until 1994; director of Martin Marietta Corporation from 1991 to 1995; director of Metropolitan Life Insurance Company, Minnesota Mining and Manufacturing Company, Morgan Stanley, Dean Witter, Discover & Co. and St. Francis Hospital Foundation; member of the Board of Trustees of New York University; honorary director of the American Petroleum Institute; member of The Business Council and The Council on Foreign Relations.
Frank Savage	Director	Director since March 1995; Chairman of Alliance Capital Management International, an investment management company since 1994; Chairman of the Board of Alliance Corporate Finance Group, Inc. since 1993; Senior Vice President of The Equitable Life Assurance Society of the United States from 1987 to 1996; Chairman of the Board of Equitable Capital Management Corporation from 1992 to 1993; Vice Chairman of the Board of Equitable Capital Management Corporation from 1986 to 1992; director of Alliance Capital Management Corporation, ARCO Chemical Company, Qualcomm Inc. and Essence Communications, Inc.; trustee of Johns Hopkins University and Chairman of the Board of Trustees of Howard University; director of Lockheed from 1990 to 1995; director of the Council on Foreign Relations and the New York Philharmonic;

		former U.S. Presidential appointee to the Board of Directors of U.S. Synthetic Fuels Corporation.
Walter E. Skowronski	Vice President and Treasurer	Vice President and Treasurer since March 1995; previously served in Lockheed Corporation as Vice President and Treasurer from 1992 to 1995 and served as staff Vice President, Investor Relations from 1990 to 1992.
Robert J. Stevens	Sector President and Chief Operating Officer--Energy & Environment	President and Chief Operating Officer, Energy and Environment Sector since January 1998; President, Air Traffic Management Division from June 1996 to January 1998; Executive Vice President and Senior Vice President and Chief Financial Officer of Air Traffic Management from December 1993 to June 1996; previously served as an executive employee of Loral Corporation from August 1987 to June 1996.
Peter B. Teets	President and Chief Operating Officer; Director	President and Chief Operating Officer since August 1997; Director since July 1997; President and Chief Operating Officer, Information & Services Sector from March 1995 to July 1997; previously served in Martin Marietta Corporation as Corporate Vice President from 1985 to 1995 and President, Space Group from 1993 to 1995; and President, Astronautics Group from 1987 to 1993.
Carlisle A. H. Trost	Director (1995)	Director since March 1995; Retired Admiral, U.S. Navy, 1990; Chief of Naval Operations, United States Navy from 1986 to 1990; Commander in Chief, U.S. Atlantic Fleet, Commander U.S. Seventh Fleet, and Deputy Commander in Chief of the U.S. Pacific Fleet; director of Lockheed Corporation from 1990 to 1995; director of GPU Inc., GPU Nuclear Corp., General Dynamics Corporation, Precision Components Corporation and Bird-Johnson Company; Trustee of the U. S. Naval Academy Foundation and Olmsted Foundation.
James R. Ukropina	Director (1995)	Director since March 1995; Partner of O'Melveny & Myers since 1992; Chairman of the Board and Chief Executive Officer of Pacific Enterprises from 1989 to 1991; director of Lockheed Corporation from 1988 to 1995; director of Pacific Life Insurance Company; Vice Chairman and member of the Board of Trustees of Stanford University.

Douglas C. Yearley	Director since March 1995; Chairman of the Board and Chief Executive Officer of Phelps Dodge Corporation since 1989 and President since 1991; Executive Vice President of Phelps Dodge Corporation from 1987 to 1989; President of Phelps Dodge Industries, a division of Phelps Dodge Corporation from 1988 to 1990; Senior Vice President of Phelps Dodge Corporation from 1982 to 1986; director of Lockheed Corporation from 1990 to 1995; director of J.P. Morgan & Co. Incorporated, Morgan Guaranty Trust Company of New York, Southern Peru Copper Corporation, and USX Corporation; member of The Business Roundtable, The Business Council and The Conference Board.

2. DIRECTORS AND EXECUTIVE OFFICERS OF THE PURCHASER. Set forth in the table below are the name and the present principal occupations or employment and the name, principal business and address of any corporation or other organization in which such occupation or employment is conducted, and the five-year employment history of each of the executive officers of the Purchaser. Unless otherwise indicated, each person identified below is employed by Parent and is a United States citizen. The principal business address of the Purchaser and, unless otherwise indicated, the business address of each person identified below is c/o Parent, 6801 Rockledge Drive, Bethesda, Maryland 20817. The Purchaser is a member-managed Delaware limited liability company and does not have directors.

NAME	CURRENT POSITIONS AND OFFICES HELD WITH PURCHASER	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE (PAST FIVE YEARS)
John V. Sponyoe	Chief Executive Officer	Chief Executive Officer since September 1998; Chief Executive Officer, Lockheed Martin Global Telecommunications since August 1998; President, Lockheed Martin Corporation's Electronics Platform Integration Group from April 1997 to August 1998 and President, Lockheed Martin Federal Systems, Owego from April 1996 to April 1998, having served in the same capacity for Loral Corporation and IBM since June 1987.
Brian D. Dailey	Chief Operating Officer	Chief Operating Officer since September 1998; Chief Operating Officer, Lockheed Martin Global Telecommunications since August 1998; Vice President, Strategic Development for Lockheed Martin Corporation from March 1995 to May 1997; Vice President, Washington Operations for Lockheed Martin Corporation Space & Strategic Missiles Sector from March 1994 to March 1995; Vice President, Lockheed Martin Commercial Space Company and Director, Commercial Programs for Lockheed Martin Commercial Space Company from March 1993 to March 1994.
John E. Montague	Chief Financial Officer	Chief Financial Officer since September 1998; Chief Financial Officer, Lockheed Martin Global Telecommunications since August 1998; Vice President, Financial Strategies for Lockheed Martin Corporation from March 1995 to August 1998; Vice President, Corporate Development and Investor Relations for Martin Marietta Corporation from September 1991 to March 1995.

Facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. 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, trust company or other nominee to the Depositary at one of its addresses set forth below:

The Depositary for the Offer is:

First Chicago Trust Company of New York

By Mail:
Tenders & Exchanges
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303

By Hand:
c/o Securities Transfer and Reporting Services, Inc.
Attn: Tenders & Exchanges
One Exchange Plaza, Third Floor
New York, NY 10006

By Overnight Delivery:
Tenders & Exchanges
Suite 4680
14 Wall Street, 8th Floor
New York, NY 10005

By Facsimile Transmission:
(201) 222-4720 or (201) 222-4721

Confirm Receipt of Facsimile by Telephone:
(201) 222-4707

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and other tender offer materials may be obtained from the Information Agent as set forth below, and will be furnished promptly at the Purchaser's expense. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

Morrow & Co., Inc.
445 Park Avenue
5th floor
New York, NY 10022
(212) 754-8000

Toll Fee (800) 566-9061

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
(877) 762-5237 (Toll Free)

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
OF
COMSAT CORPORATION
PURSUANT TO THE OFFER TO PURCHASE
DATED SEPTEMBER 25, 1998, BY
REGULUS, LLC
A WHOLLY-OWNED SUBSIDIARY
OF
LOCKHEED MARTIN CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, NOVEMBER 24, 1998, UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:
First Chicago Trust Company of New York

By Mail:
First Chicago Trust Company of New York
Tenders & Exchanges
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303

By Hand:
First Chicago Trust Company of New York
c/o Securities Transfer and Reporting Services, Inc.
Attn: Tenders & Exchanges
One Exchange Plaza, Third Floor
New York, NY 10006

By Overnight Delivery:
First Chicago Trust Company of New York
Tenders & Exchanges
Suite 4680
14 Wall Street, 8th Floor
New York, NY 10005

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

DESCRIPTION OF TENDERED SHARES

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN EXACTLY AS NAME(S) APPEAR(S) ON CERTIFICATE(S))	SHARE CERTIFICATE(S) TENDERED (ATTACH ADDITIONAL SIGNED LIST IF NECESSARY)		
	SHARE CERTIFICATE NUMBER(S)(1)	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)(1)	NUMBER OF SHARES TENDERED(2)
	TOTAL SHARES		

(1) Need not be completed by Book-Entry Shareholders.
(2) Unless otherwise indicated, it will be assumed that all Shares Certificates delivered to the Depositary are being tendered. See Instruction 4.

This Letter of Transmittal is to be completed by shareholders either if certificates for Shares (the "Share Certificates") are to be forwarded with this Letter of Transmittal or, unless an Agent's Message (as defined in Instruction 2 herein) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by the Depositary at the Book-Entry Transfer Facility (as defined in Section 2 of the Offer to Purchase, dated September 25, 1998 (the "Offer to Purchase")) pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Shareholders who deliver Shares by book-entry transfer are referred to herein as "Book-Entry Shareholders" and all other shareholders are referred to as "Certificate Shareholders." DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY FACILITY IN ACCORDANCE WITH SUCH BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

This Letter of Transmittal must be accompanied by Share Certificates unless the holder complies with the procedures for guaranteed delivery set forth in Section 3 of the Offer to Purchase. Holders whose Share Certificates are not immediately available or who cannot deliver their Share Certificates and all other required documents to the Depositary on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) or who cannot complete the procedures for book-entry transfer on a timely basis, must tender their Shares according to the guaranteed delivery procedures. See Instruction 2 herein.

[_]CHECK HERE IF SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY AT THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):

Name of Tendering Institution: _____

Account Number: _____

Transaction Code Number: _____

[_]CHECK HERE IF SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING. PLEASE ENCLOSE A PHOTOCOPY OF SUCH NOTICE OF GUARANTEED DELIVERY.

Name(s) of Registered Holder(s): _____

Window Ticket Number (if any): _____

Date of Execution of Notice of Guaranteed Delivery: _____

Name of Institution which Guaranteed Delivery: _____

If delivered by Book-Entry Transfer, check box [_]

Account Number: _____

Transaction Code Number: _____

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

Ladies and Gentlemen:

The undersigned hereby tenders to Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), the above described shares of common stock, without par value (the "Shares"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), at a price of $45.50 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated September 25, 1998 (the "Offer to Purchase"), and in this Letter of Transmittal (which, as amended or supplemented from time to time, together with the Offer to Purchase constitute the "Offer") receipt of which is hereby acknowledged. The undersigned understands that the Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its subsidiaries or affiliates the right to purchase all or any portion of the Shares tendered pursuant to the Offer.

Upon the terms of the Offer, subject to, and effective upon, acceptance for payment of and payment for the Shares tendered herewith in accordance with the terms 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 rights issued or issuable in respect thereof on or after September 25, 1998) and constitutes and irrevocably appoints First Chicago Trust Company of New York (the "Depositary") the true and lawful agent, attorney-in-fact and proxy of the undersigned to the full extent of the undersigned's rights with respect to such Shares with full power of substitution (such power of attorney and proxy being deemed to be an irrevocable power coupled with an interest), to (a) deliver Share Certificates (and any such other Shares or securities or rights), or transfer ownership of such Shares (and any such other Shares or securities or rights) on the account books maintained by the Book-Entry Transfer Facility, together in either 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, (b) present such Shares (and any such other Shares or securities or rights) 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 Shares or securities or rights), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints Vance D. Coffman and John V. Sponyoe, and each of them, and any other designees of the Purchaser as the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to vote in such manner 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 (and any and all other Shares or other securities or rights issued or issuable in respect thereof on or after September 25, 1998) which have been accepted for payment by the Purchaser prior to the time of such vote or action which the undersigned is entitled to vote at any meeting of shareholders (whether annual or special and whether or not an adjourned meeting) of the Company, or by written consent in lieu of such meeting, or otherwise. This power of attorney and proxy is coupled with an interest in the Company and in the Shares 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, without further action, any other power of attorney or proxy granted by the undersigned at any time with respect to such Shares and no subsequent powers of attorney or proxies will be given (and if given will be deemed not to be effective) with respect thereto by the undersigned. The undersigned understands that 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 rights with respect to such Shares and other securities, including voting at any meeting of shareholders then scheduled or acting by written consent without a meeting.

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 Shares or other securities or rights

issued or issuable in respect thereof on or after September 25, 1998) 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 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 such other Shares or securities or rights).

All authority herein conferred or herein agreed to be conferred shall not be affected by, and shall survive, the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, legal representatives, successors and assigns 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 Share Certificates not tendered or accepted for payment in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any Share Certificates not tendered or accepted for payment (and any accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature. 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 Share Certificates not tendered or accepted for payment in the name(s) of, and deliver said check and/or return certificates to, the person or persons so indicated. Shareholders tendering Shares by book-entry transfer may request that any Shares not accepted for payment be returned by crediting such account maintained at such Book-Entry Transfer Facility as such shareholder 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 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 Share Certificates 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, or if Shares tendered by book-entry transfer which are not purchased are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than that designated on the front cover. Issue check and/or certificates to:

Name _____

(Please Print)

Address _____

(Include Zip Code)

(Taxpayer Identification or Social Security No.)

(See Substitute Form W-9 on Back Cover)

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

To be completed ONLY if Share Certificates 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 shown on the front cover. Mail check and/or certificates to:

Name _____

(Please Print)

Address _____

(Include Zip Code)

(Taxpayer Identification or Social Security No.)

(See Substitute Form W-9 on Back Cover)

SIGN HERE
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

Signature(s) of Owner(s)

DATED: _____, 1998

(Must be signed by the registered holder(s) EXACTLY as name(s) appear(s) on the Share 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 trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please provide the necessary information. See Instruction 5.)

Name(s): _____

(Please Print)

Capacity (Full Title): _____

Address: _____

(Include Zip Code)

Area Code and Telephone Number: _____

Tax Identification or Social Security No.: _____
(See Substitute Form W-9)

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

Authorized Signature: _____

Name of Firm: _____

Address: _____

Area Code and Telephone Number:

Dated: _____, 1998

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. No signature guarantee on this Letter of Transmittal is required (i) if this Letter of Transmittal is signed by the registered holder (which term, for 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) of the Shares tendered herewith, unless such holder has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on this Letter of Transmittal or (ii) if such Shares are tendered for the account of a firm that is a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agent's Medallion Program (each, an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND CERTIFICATES. This Letter of Transmittal is to be used either if Share Certificates are to be forwarded herewith or, unless an Agent's Message (as defined below) is utilized, if tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase. Share Certificates, or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Shares into the Depositary's account at a Book-Entry Transfer Facility, as well as this Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message in the case of a book-entry delivery, and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth herein prior to the Expiration Date. Shareholders whose Share Certificates are not immediately available or who cannot deliver their Share Certificates and all other required documents to the Depositary prior to the Expiration Date or who cannot complete the procedures for delivery by book-entry transfer on a timely basis may tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures 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 made available by the Purchaser, must be received by the Depositary on or prior to the Expiration Date; and (iii) the Share Certificates (or a Book-Entry Confirmation) representing all tendered Shares, in proper form for transfer, together with a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery, as provided in Section 3 of the Offer to Purchase. If Share Certificates are forwarded separately to the Depositary, a properly completed and duly executed Letter of Transmittal (or a facsimile thereof) must accompany each such delivery.

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 acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF SHARES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND SOLE RISK OF THE TENDERING SHAREHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK ENTRY CONFIRMATION). IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering shareholders, by execution of this Letter of Transmittal or a 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 and any other required information should be listed on a separate schedule attached hereto and separately signed on each page thereof in the same manner as this Letter of Transmittal is signed.

4. PARTIAL TENDERS. (APPLICABLE TO CERTIFICATE SHAREHOLDERS ONLY) 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 Share Certificate(s) for the remainder of the Shares that were evidenced by the old Share Certificate(s) will be sent to the registered holder, unless otherwise provided in the appropriate box marked "Special Payment Instructions" and/or "Special Delivery Instructions" on this Letter of Transmittal, as soon as practicable after the acceptance for payment of, and payment for, the Shares tendered herewith. 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 Share Certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

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

If this Letter of Transmittal or any Share Certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and should submit proper evidence satisfactory to the Purchaser of their authority to so act.

When this Letter of Transmittal is signed by the registered owner(s) of the Shares listed and transmitted hereby, no endorsements of Share Certificates or separate stock powers are required unless payment is to be made to, or Share Certificates for Shares not tendered or purchased are to be issued in, the name of a person other than the registered owner(s). Signatures on such Share 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 owner(s) of the Shares listed, the Share Certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner(s) appear(s) on the Share Certificates. Signatures on such Share 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 purchased Shares to it or its order pursuant to the Offer for which the Purchaser is liable in connection with the Offer, whether or not another person is jointly liable therefor. If, however, payment of the purchase price is to be made to, or if Share Certificates not tendered or purchased are to be registered in the name of, any person other than the registered holder, or if tendered Share Certificates 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 or such 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 CERTIFICATES LISTED IN THIS LETTER OF TRANSMITTAL.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check is to be issued in the name of and/or Share Certificates for unpurchased Shares 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 Share Certificates are to be returned to someone other than the signer of this Letter of Transmittal or to an address other than that shown on the front cover hereof, the appropriate boxes on this Letter of Transmittal should be completed. Shareholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account maintained at such Book-Entry Transfer Facility as such shareholder may designate hereon. If no such instructions are given, such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above. See Instruction 1.

8. WAIVER OF CONDITIONS. The Purchaser reserves the absolute right in its sole discretion to waive any of the specified conditions of the Offer, in whole or in part, in the case of any Shares tendered.

9. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance or additional copies of the Offer to Purchase and this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the Information Agent at its address set forth below.

10. 31% BACKUP WITHHOLDING; SUBSTITUTE FORM W-9. Under U.S. Federal income tax law, a shareholder whose tendered Shares are accepted for payment is required to provide the Depositary with such shareholder's correct taxpayer identification number ("TIN") on Substitute Form W-9 below. If the shareholder does not provide the Depositary with the correct TIN, the Internal Revenue Service (the "IRS") may subject the shareholder or other payee to a $50 penalty. In addition, payments that are made to such shareholder or other payee with respect to Shares exchanged pursuant to the Offer may be subject to 31% backup withholding.

If backup withholding applies, the Depositary is required to withhold 31% of any such payments made to the shareholder or other payee. 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 from the IRS.

Certain shareholders (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, the shareholder must submit a Form W-8, signed under penalties of perjury, attesting to that individual's exempt status. A Form W-8 can be obtained from the Depositary. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

To prevent backup withholding, each tendering shareholder must provide his or her correct TIN by completing Substitute Form W-9 set forth below, certifying that the TIN provided is correct (or that the shareholder is awaiting a TIN) and that (a) the shareholder has not been notified by the IRS that he or she is subject to backup withholding as a result of failure to report all interest or dividends or (b) the IRS has notified the shareholder that he or she is no longer subject to backup withholding. To prevent possible erroneous backup withholding, exempt shareholders (other than certain foreign individuals) should certify in accordance with the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" that such shareholder is exempt from backup withholding. If a shareholder has been notified by the IRS that he or she is subject to backup withholding because of underreporting interest or dividends on his or her tax return, he or she should nevertheless complete and sign Substitute Form W-9 but should (unless after being so notified by the IRS he or she received a notification from the IRS that he or she is no longer subject to backup withholding) cross out item (2) of the certification on the form.

The box in Part 3 of the Substitute Form W-9 may be checked if the tendering shareholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is

checked, the shareholder or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Depositary will withhold 31% of all payments made prior to the time a properly certified TIN is provided to the Depositary.

The shareholder is required to give the Depositary the TIN (e.g., social security number or employer identification number) of the record owner of the Shares or of the last transferee appearing on the transfers attached to, or endorsed on, 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.

11. LOST, DESTROYED OR STOLEN SHARE CERTIFICATES. If any Share Certificate(s) has been lost, destroyed or stolen, the shareholder should promptly notify the Transfer Agent for the Company. The shareholder will then be instructed as to the steps that must be taken in order to replace the Share Certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed Share Certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A FACSIMILE COPY THEREOF), TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES, OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE AND ANY OTHER REQUIRED DOCUMENTS MUST BE RECEIVED BY THE DEPOSITARY ON OR PRIOR TO THE EXPIRATION DATE AND EITHER CERTIFICATES FOR TENDERED SHARES MUST BE RECEIVED BY THE DEPOSITARY OR SHARES MUST BE DELIVERED PURSUANT TO THE PROCEDURES FOR BOOK-ENTRY TRANSFER, IN EACH CASE PRIOR TO THE EXPIRATION DATE, OR THE TENDERING SHAREHOLDER MUST COMPLY WITH THE PROCEDURES FOR GUARANTEED DELIVERY.

SUBSTITUTE FORM W-9

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN) AND CERTIFICATION FOR PAYEE EXEMPT FROM BACKUP WITHHOLDING

PART 1--PLEASE PROVIDE YOUR NAME, ADDRESS AND TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.

Name

Address

Social Security or Employer Identification Number

PART 2--CERTIFICATION--Under 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 Taxpayer Identification Number to be issued to me) and

(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, (b) I have not been notified by the Internal Revenue Service (the "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 A FAILURE TO REPORT ALL INTEREST OR DIVIDENDS ON YOUR TAX RETURN. HOWEVER, IF AFTER BEING NOTIFIED BY THE IRS THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING, YOU RECEIVED ANOTHER NOTIFICATION FROM THE IRS THAT YOU ARE NO LONGER SUBJECT TO BACKUP WITHHOLDING, DO NOT CROSS OUT SUCH ITEM (2). (ALSO SEE INSTRUCTIONS IN THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9).

PART 3--[_] Check this box if you have not been issued a TIN and have applied for one or intend to apply for one in the near future.

SIGNATURE _____ DATE _____

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 CHECKED THE BOX IN PART 3 OF SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a Taxpayer Identification Number has not been issued to me, and either (1) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) 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 payments made to me will be withheld until I provide such a number.

SIGNATURE _____ DATE _____

Facsimile copies of the Letter of Transmittal, properly completed and duly executed, will be accepted. The Letter of Transmittal, Share Certificates and any other required documents should be sent or delivered by each shareholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below:

The Depositary for the Offer is:

First Chicago Trust Company of New York

By Mail:
First Chicago Trust Company of New York
Tenders & Exchanges
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303

By Hand:
First Chicago Trust Company of New York
c/o Securities Transfer and Reporting Services, Inc.
Attn: Tenders & Exchanges
One Exchange Plaza, Third Floor
New York, NY 10006

By Overnight Delivery:
First Chicago Trust Company of New York
Tenders & Exchanges
Suite 4680
14 Wall Street, 8th Floor
New York, NY 10005

Questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and other tender offer materials may be obtained from the Information Agent as set forth below, and will be furnished promptly at the Purchaser's expense. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

MORROW & CO., INC.
445 Park Avenue
5th Floor
New York, NY 10022
(212) 754-8000
Toll Free (800) 566-9061

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
(877) 762-5237 (Toll Free)

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

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF--
1. An individual's account	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. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7. a. A revocable savings trust account (in which grantor is also trustee)	The grantor-trustee(1)
b. Any "trust" account that is not a legal or valid trust under State law	The actual owner(1)
8. Sole proprietorship account	The owner(4)

FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF --
9. A valid trust, estate, or pension	The legal entity (do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title) (5)
10. Corporate account	The corporation
11. Religious, charitable or educational organization account	The organization
12. Partnership account held in the name of the business	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered	The broker or

nominee	nominee
15. 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 agricultural 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 Social Security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner. If the owner does not have an employer identification number, furnish the owner's social security number.
(5) List first and circle the name of the legal trust, estate, or pension trust.

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.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9
PAGE 2

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you do not know your number, obtain Form SS-5, Application for a Social Security Number Card (for resident individuals), Form SS-4, Application for Employer Identification Number (for businesses and all other entities), or Form W-7 for International Taxpayer Identification Number (for alien individuals required to file U.S. tax returns), at an office of the Social Security Administration or the Internal Revenue Service.

To complete Substitute Form W-9, if you do not have a taxpayer identification number, write "Applied For" in the space for the taxpayer identification number in Part 1, sign and date the Form, and give it to the requester. Generally, you will then have 60 days to obtain a taxpayer identification number and furnish it to the requester. If the requester does not receive your taxpayer identification number within 60 days, backup withholding, if applicable, will begin and will continue until you furnish your taxpayer identification number to the requester.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees specifically exempted from backup withholding on ALL payments include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a), or an individual retirement plan, or a custodial account under section 403(b)(7).
- The United States or any agency or instrumentality thereof.
- A state, the District of Columbia, a possession of the United States, or any political subdivision or instrumentality thereof.
- A foreign government or a political subdivision, agency or instrumentality thereof.
- An international organization or any agency or instrumentality thereof.
- A registered dealer in securities or commodities registered in the United States or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a)
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1).
- An entity registered at all times during the tax year under the Investment Company Act of 1940.
- A foreign central bank of issue.
- Unless otherwise noted herein, all references below to section numbers or to regulations are references to the Internal Revenue Code and the regulations promulgated thereunder.

Payments of dividends and patronage dividends not generally 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 which have at least one nonresident partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

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

- Payments of interest on obligations issued by individuals. NOTE: You may be subject to backup withholding if (i) this interest is $600 or more, and (ii) the interest is paid in the course of the payer's trade or business and (iii) you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to non-resident aliens.
- Payments on tax-free covenant bonds under section 1451.
- Payments made by certain foreign organizations.
- Payments made to a nominee.

EXEMPT PAYEES DESCRIBED ABOVE SHOULD FILE A SUBSTITUTE FORM W-9 TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, AND RETURN IT TO THE PAYER.

Certain payments other than interest, dividends, and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A(a), 6045, and 6050A.

PRIVACY ACT NOTICES. Section 6109 requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers

who must report the payments to the IRS. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your taxpayer identification number to a payer, 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.

(2) FAILURE TO REPORT CERTAIN DIVIDEND AND INTEREST PAYMENTS.--If you fail to include any portion of an includible payment for interest, dividends, or patronage dividends in gross income and such failure is due to negligence, a penalty of 20% is imposed on any portion of an underpayment attributable to the failure.

(3) CIVIL PENALTY FOR FALSE STATEMENTS WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(4) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--If you falsify certifications or affirmations, you are subject to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD SEEK YOUR OWN FINANCIAL ADVICE IMMEDIATELY FROM YOUR OWN APPROPRIATELY AUTHORIZED INDEPENDENT FINANCIAL ADVISOR.

IF YOU HAVE SOLD OR TRANSFERRED ALL OF YOUR REGISTERED HOLDINGS OF COMMON STOCK OF COMSAT CORPORATION, PLEASE FORWARD THIS DOCUMENT AND ALL ACCOMPANYING DOCUMENTS TO THE STOCKBROKER, BANK OR OTHER AGENT THROUGH WHOM THE SALE OR TRANSFER WAS EFFECTED, FOR SUBMISSION TO THE PURCHASER OR TRANSFEREE.

NOTICE OF GUARANTEED DELIVERY
TO
TENDER SHARES OF COMMON STOCK
OF

COMSAT CORPORATION

PURSUANT TO THE OFFER TO PURCHASE
DATED SEPTEMBER 25, 1998
BY

REGULUS, LLC
A WHOLLY-OWNED SUBSIDIARY OF

LOCKHEED MARTIN CORPORATION
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or one substantially equivalent hereto, must be used to accept the Offer (as defined below) if certificates representing shares of common stock, without par value (the "Shares"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), are not immediately available or time will not permit all required documents to reach First Chicago Trust Company of New York (the "Depositary") on or prior to the Expiration Date (as defined in the Offer to Purchase), or the procedures for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or sent by facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution (as defined in the Offer to Purchase (as defined below)). See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Mail:
First Chicago Trust Company of New York
Tenders & Exchanges
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303

By Hand:
First Chicago Trust Company of New York
c/o Securities Transfer and Reporting Services, Inc.
Attn: Tenders & Exchanges
One Exchange Plaza, Third Floor
New York, NY 10006

By Overnight Delivery:
First Chicago Trust Company of New York
Tenders & Exchanges
Suite 4680
14 Wall Street, 8th Floor
New York, NY 10005

By Facsimile Transmission:
(For Eligible Institutions Only)
(201) 222-4720 or (201) 222-4721

Confirm Receipt of Facsimile 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 TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH 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.

Shares may not be tendered pursuant to the Guaranteed Delivery Procedures.

Ladies and Gentlemen:

The undersigned hereby tenders to Regulus, LLC, a single member Delaware limited liability company 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 September 25, 1998 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any supplements or amendments thereto, collectively constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares indicated below pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Number of Shares: _____

Name(s) of Record Holder(s): _____

Certificate No(s). (if available): __

Address(es): _____

Check box if Share(s) will be tendered by Book-Entry Transfer

Area Code and Telephone Number(s): __

[_] The Depository Trust Company

Signatures: _____

Account Number: _____

Dated: _____

Date: _____

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, an Eligible Institution, hereby guarantees delivery to the Depositary, at one of its addresses set forth above, certificates ("Share Certificates") evidencing the tendered Shares hereby, in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company with delivery of a Letter of Transmittal (or facsimile thereof) properly completed and duly executed, or an Agent's Message (as defined in the Letter of Transmittal) in the case of a book-entry delivery, and any other required documents, all within three New York Stock Exchange trading days after the date of execution hereof.

The Eligible Institution that completes this form must communicate this guarantee to the Depositary and must deliver the Letter of Transmittal, Share Certificates and any other required documents 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: _____

(Authorized Signature)

Address: _____

Name: _____
(Please Type or Print)

(Zip Code)

Title: _____

Area Code and Telephone Number: _____

Date: _____

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE OF GUARANTEED DELIVERY. CERTIFICATES FOR SHARES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH
UP TO 49% OF THE OUTSTANDING SHARES OF COMMON STOCK
OF

COMSAT CORPORATION

AT
$45.50 NET PER SHARE IN CASH
BY

REGULUS, LLC

A WHOLLY-OWNED SUBSIDIARY
OF

LOCKHEED MARTIN CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, NOVEMBER 24, 1998, UNLESS THE OFFER IS EXTENDED.

September 25, 1998

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

We have been appointed by Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), to act as financial advisor and Dealer Manager in connection with the Purchaser's offer to purchase up to 49% (less certain adjustments) of the outstanding shares of common stock, without par value (the "Shares"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), at a price of $45.50 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated September 25, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal (which, together with any supplements or amendments thereto, collectively constitute the "Offer") enclosed herewith.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of September 18, 1998 (the "Merger Agreement"), by and among Parent, Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent ("Acquisition Sub"), and the Company. The Merger Agreement provides, among other things, for the commencement of the Offer by the Purchaser and further provides that, after the purchase of Shares pursuant to the Offer and subject to the satisfaction or waiver of certain conditions set forth therein, (i) if the certain conditions relating to the tax treatment of the Merger and the receipt of certain govermental approvals (as outlined in Section 12 of the Offer to Purchase) have been satisfied, the Company will be merged with and into Acquisition Sub (the "Forward Merger"), with Acquisition Sub surviving the Forward Merger as a wholly-owned subsidiary of Parent or (ii) if such conditions have not been satisfied, Acquisition Sub will be merged with and into the Company (the "Reverse Merger" and, alternatively with the Forward Merger, the "Merger"), with the Company surviving the Reverse Merger as a wholly-owned subsidiary of Parent.

In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (other than shares of Company Common Stock held in the treasury of the Company, held by the Purchaser, held by Parent, if any, and Dissenting Shares (as defined in the Merger Agreement), if any) will be converted into the right to receive 0.5 shares of common stock, par value $1.00 per share, of Parent, subject to adjustment as provided in the Merger Agreement.

Please furnish copies of the enclosed materials to those of your clients for whom you hold Shares registered in your name or in the name of your nominee.

The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Offer such number of Shares that would constitute at least one-third (1/3) of the outstanding Shares, (ii) the termination or expiration of any waiting period under the Antitrust Laws (as defined in the Offer to Purchase) applicable to the purchase of Shares pursuant to the Offer and the receipt of all consents or approvals required under the Antitrust Laws, (iii) the approval of the Merger and the Merger Agreement by the shareholders of the Company pursuant to Section 29-367 of the District of Columbia Business Corporation Act, (iv) the receipt by Parent and the Purchaser of all approvals of the Federal Communications Commission necessary for them to consummate the Carrier Acquisition (as defined in the Offer to Purchase), (v) the consummation of the Carrier Acquisition, and (vi) the receipt by the Purchaser of an approval by the FCC to become an Authorized Carrier (as defined in the Offer to Purchase) and to acquire the maximum number of Shares to be purchased pursuant to the Offer.

Enclosed herewith for your information and for forwarding to your clients are copies of the following documents:

1. The Offer to Purchase, dated September 25, 1998;

2. The Letter of Transmittal to be used by shareholders of the Company accepting the Offer;

3. The letter to shareholders of the Company from the Chairman of the Board of Directors of the Company and the President and Chief Executive Officer of the Company, accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9 filed with the Securities and Exchange Commission by the Company;

4. The Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares are not immediately available, or if such certificates and all other required documents cannot be delivered to First Chicago Trust Company of New York (the "Depositary") by the Expiration Date (as defined in the Offer to Purchase), or if the procedure for book-entry transfer cannot be completed by the Expiration Date;

5. A printed 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;

6. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. A return envelope addressed to the Depositary.

YOUR PROMPT ACTION IS REQUESTED. WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, NOVEMBER 24, 1998, UNLESS THE OFFER IS EXTENDED.

The Board of Directors of the Company has by a unanimous vote (excluding directors who either were absent or recused themselves) approved the Offer, the Merger and the Merger Agreement and determined that the terms of each of the Offer, the Merger and the Merger Agreement are consistent with, and in furtherance of, the long-term business strategy of the Company and are fair to the shareholders of the Company, and recommends that the Company's shareholders accept the Offer and tender their Shares pursuant to the Offer.

In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (a) certificates representing Shares (or a timely Book-Entry Confirmation (as defined in the Offer to Purchase) with respect to such Shares) into the account maintained by the Depositary at The Depository Trust Company, (the "Book-Entry Transfer Facility"), pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (b) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase), in connection with a book-entry delivery, and (c) any other documents required by the Letter of Transmittal. Accordingly, payment may not be made to all tendering shareholders at the same time depending upon when certificates for or Book Entry Confirmations into the Depositary's account at the Book-Entry Transfer Facility are actually received

by the Depositary. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE OF THE SHARES TO BE PAID BY THE PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

If holders of Shares wish to tender Shares, but it is impracticable for them to forward their Share certificates or other required documents 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.

Neither Parent nor the Purchaser will pay any commissions or fees to any broker, dealer or other person (other than the Dealer Manager, the Information Agent and the Depositary, as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. The Purchaser will, however, upon request, reimburse you for customary clerical and mailing expenses incurred by you in forwarding any of the enclosed materials to your clients. The Purchaser will pay or cause to be paid any stock transfer taxes payable on the transfer of Shares to it, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

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 Dealer Manager or the Information Agent, at their respective addresses and telephone numbers set forth on the back cover of the Offer to Purchase.

Very truly yours,

Bear, Stearns & Co. Inc.

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

OFFER TO PURCHASE FOR CASH
UP TO 49% OF THE OUTSTANDING SHARES OF COMMON STOCK
OF

COMSAT CORPORATION

AT
$45.50 NET PER SHARE IN CASH
BY

REGULUS, LLC

A WHOLLY-OWNED SUBSIDIARY
OF

LOCKHEED MARTIN CORPORATION

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, NOVEMBER 24, 1998, UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated September 25, 1998 (the "Offer to Purchase"), and a related Letter of Transmittal (which, together with any supplements or amendments thereto, collectively constitute the "Offer") relating to the offer by Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), to purchase up to 49% (less certain adjustments) of the outstanding shares of common stock, without par value (the "Shares"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), at a price of $45.50 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase and in the related Letter of Transmittal. Also enclosed is the letter to shareholders of the Company from the Chairman of the Board of Directors of the Company and the President and Chief Executive Officer of the Company, accompanied by the Company's Solicitation/Recommendation Statement on Schedule 14D-9.

WE ARE THE HOLDER OF RECORD OF SHARES HELD BY US FOR YOUR ACCOUNT. 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 IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

Accordingly, we request instructions as to whether you wish to have us tender, on your behalf, any or all Shares held by us for your account pursuant to the terms and conditions set forth in the Offer.

Please note the following:

1. The tender price is $45.50 per Share, net to you in cash without interest thereon, upon the terms and subject to the conditions set forth in the Offer.

2. The Board of Directors of the Company has by a unanimous vote (excluding directors who either were absent or recused themselves) approved the Offer, the Merger (as defined below) and the Merger Agreement (as defined below) and determined that the terms of each of the Offer, the Merger and the Merger Agreement are consistent with, and in furtherance of the long-term business strategy of the Company and are fair to the shareholders of the Company, and recommends that the Company's shareholders accept the Offer and tender their Shares pursuant to the Offer.

3. The Offer is being made for less than all of the outstanding Shares.

4. The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of September 18, 1998 (the "Merger Agreement"), by and among Parent, Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent ("Acquisition Sub"), and the Company. The Merger Agreement provides, among other things, for the commencement of the Offer by the Purchaser and further provides that, after the purchase of Shares pursuant to the Offer and subject to the satisfaction or waiver of certain conditions set forth therein, (i) if the certain conditions relating to the tax treatment of the Merger and the receipt of certain govermental approvals (as outlined in Section 12 of the Offer to Purchase) have been satisfied, the Company will be merged with and into Acquisition Sub (the "Forward Merger"), with Acquisition Sub surviving the Forward Merger as a wholly-owned subsidiary of Parent or (ii) if such conditions have not been satisfied, Acquisition Sub will be merged with and into the Company (the "Reverse Merger" and, alternatively with the Forward Merger, the "Merger"), with the Company surviving the Reverse Merger as a wholly-owned subsidiary of Parent.

In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (other than shares of Company Common Stock held in the treasury of the Company, held by the Purchaser, held by Parent, if any, and Dissenting Shares (as defined in the Merger Agreement), if any) will be converted into the right to receive 0.5 shares of common stock, par value $1.00 per share, of Parent (the "Parent Common Stock"), subject to adjustment as provided in the Merger Agreement (the "Merger Consideration").

5. The Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Offer such number of Shares that would constitute at least one-third (1/3) of the outstanding Shares, (ii) the termination or expiration of any waiting period under the Antitrust Laws (as defined in the Offer to Purchase) applicable to the purchase of Shares pursuant to the Offer and the receipt of all consents or approvals required under the Antitrust Laws, (iii) the approval of the Merger and the Merger Agreement by the shareholders of the Company pursuant to Section 29-367 of the District of Columbia Business Corporation Act, (iv) the receipt by Parent and the Purchaser of all approvals of the Federal Communications Commission necessary for them to consummate the Carrier Acquisition (as defined in the Offer to Purchase), (v) the consummation of the Carrier Acquisition, and (vi) the receipt by the Purchaser of an approval by the FCC to become an Authorized Carrier (as defined in the Offer to Purchase) and to acquire the maximum number of Shares to be purchased pursuant to the Offer.

6. Tendering shareholders will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer.

7. The Offer and withdrawal rights will expire at 12:00 midnight, New York City time, on Tuesday, November 24, 1998, unless the Offer is extended in accordance with the terms of the Merger Agreement.

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, detaching and returning to us the instruction form set forth below. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified below. An envelope to return your instructions to us is enclosed. Your instructions should be forwarded to us in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer.

For purposes of the Offer, the Purchaser shall be deemed to have accepted for payment, and thereby purchased, tendered Shares, if, as and when the Purchaser gives oral or written notice to First Chicago Trust Company of New York (the "Depositary") of the Purchaser's acceptance of such Shares for payment. Upon the terms and subject to the conditions of the Offer, payment for Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (a) Share Certificates (or a timely Book-Entry Confirmation (as defined in the Offer to Purchase) with respect to such Shares) into the account maintained by the Depositary at The Depository Trust Company (the "Book-Entry Transfer Facility"), pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (b) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in the Offer to Purchase), in connection with a book-entry delivery, and (c) any other documents required by the Letter of Transmittal. Accordingly, payment may not be made to all tendering shareholders at the same time

depending upon when certificates for or Book Entry Confirmations into the Depositary's account at the Book-Entry Transfer Facility are actually received by the Depositary. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE OF THE SHARES TO BE PAID BY THE PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. In any jurisdiction 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., the Dealer Manager for the Offer, or one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

INSTRUCTIONS WITH RESPECT TO THE OFFER TO PURCHASE
FOR CASH UP TO 49% OF THE OUTSTANDING SHARES OF COMMON STOCK
OF

COMSAT CORPORATION

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated September 25, 1998, and the related Letter of Transmittal in connection with the offer by Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation, to purchase up to 49% (less certain adjustments) of the outstanding shares of common stock, without par value (the "Shares"), of COMSAT Corporation, a District of Columbia corporation.

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

Number of Shares to Be Tendered: _____ Date:

SIGN HERE

Signature(s) _____

Print Name(s) _____

Print Address(es) _____

Area Code and Telephone Number _____

Telephone Number(s) _____

Taxpayer Identification or
Social Security Number(s) _____

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer is made solely by the Offer to Purchase, dated September 25, 1998, and the related Letter of Transmittal and 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 or any administrative or judicial action pursuant thereto. In any jurisdiction 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 Regulus, LLC by Bear, Stearns & Co. Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
Up to 49% of the Outstanding Shares of Common Stock
of

COMSAT Corporation

at

$45.50 Net Per Share

by

Regulus, LLC

a wholly-owned subsidiary of

Lockheed Martin Corporation

Regulus, LLC, a single member Delaware limited liability company (the "Purchaser") and a wholly-owned subsidiary of Lockheed Martin Corporation, a Maryland corporation ("Parent"), is offering to purchase up to 49% (less certain adjustments) of the outstanding shares of common stock, without par value (the "Shares"), of COMSAT Corporation, a District of Columbia corporation (the "Company"), at $45.50 per Share, net to the seller in cash, without interest thereon (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated September 25, 1998 (the "Offer to Purchase"), and in the related Letter of Transmittal (which together with any amendments or supplements thereto, collectively constitute the "Offer").

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, NOVEMBER 24, 1998, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE OF THE OFFER (THE "EXPIRATION DATE") SUCH NUMBER OF SHARES THAT WOULD CONSTITUTE AT LEAST ONE-THIRD (1/3) OF THE OUTSTANDING SHARES (THE "MINIMUM CONDITION"),

(II) THE TERMINATION OR EXPIRATION OF ANY APPLICABLE WAITING PERIOD UNDER THE ANTITRUST LAWS (AS DEFINED IN THE OFFER TO PURCHASE) APPLICABLE TO THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE RECEIPT OF ALL CONSENTS OR APPROVALS REQUIRED UNDER THE ANTITRUST LAWS (THE "ANTITRUST CONDITION"), (III) THE FULFILLMENT OF THE SHAREHOLDER APPROVAL CONDITION (AS DEFINED IN THE OFFER TO PURCHASE) AND (IV) THE SATISFACTION OF THE AUTHORIZED CARRIER CONDITIONS (AS DEFINED IN THE OFFER TO PURCHASE). THE PURCHASER RESERVES THE RIGHT, SUBJECT ONLY TO THE APPLICABLE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION, TO WAIVE EACH OF THE CONDITIONS (OTHER THAN THE MINIMUM CONDITION) TO THE OBLIGATIONS OF THE PURCHASER TO CONSUMMATE THE OFFER AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT TO THE EXTENT PERMITTED BY LAW.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of September 18, 1998 (the "Merger Agreement"), by and among Parent, Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent ("Acquisition Sub"), and the Company. The Merger Agreement provides, among other things, for the commencement of the Offer by the Purchaser and further provides that, after the purchase of Shares pursuant to the Offer and subject to the satisfaction or waiver of certain conditions set forth therein, (i) if the certain conditions relating to the tax treatment of the Merger and the receipt of certain governmental approvals have been satisfied, the Company will be merged with and into Acquisition Sub (the "Forward Merger"), with Acquisition Sub surviving the Forward Merger as a wholly-owned subsidiary of Parent or (ii) if such conditions and approvals have not been satisfied, Acquisition Sub will be merged with and into the Company (the "Reverse Merger" and, alternatively with the Forward Merger, the "Merger"), with the Company surviving the Reverse Merger as a wholly-owned subsidiary of Parent. In the Merger, each Share issued and outstanding immediately prior to the effective time of the Merger (other than shares of Company Common Stock held in the treasury of the Company, held by the Purchaser, held by Parent, if any, and dissenting shares, if any) will be converted into the right to receive 0.5 shares of common stock, par value $1.00 per share, of Parent, subject to adjustment as provided in the Merger Agreement.

In connection with the execution of the Merger Agreement, the Company and Parent have entered into a Shareholders Agreement, dated as of September 18, 1998, pursuant to which, among other things, promptly after the consummation of the Offer, the Company shall take all such actions necessary to cause the election as directors of the Company three individuals selected by Parent (the "Parent Designees") and the appointment of a Parent Designee as a member of each of the existing committees of the Company's Board of Directors. The Shareholders Agreement also provides that, other than pursuant to the transactions contemplated by the Merger Agreement, Parent together with its affiliates will not acquire Shares if this would result in Parent beneficially owning in excess of 49% of the Company's Shares and in addition imposes certain limitations upon Parent's ability to sell any Shares acquired. Finally, the Shareholders Agreement imposes certain restrictions on actions that Parent may take that might affect the management or direction of the Company. Parent and the Company also have entered into a Registration Rights Agreement, dated as of September 18, 1998, pursuant to which the Company grants to Parent certain rights with respect to registration of Shares under the Securities Act of 1933, as amended.

Also in connection with the execution of the Merger Agreement and n order to facilitate the consummation of the Offer and the Merger, the Company, COMSAT Government Systems, Inc. ("CGSI"), a Delaware corporation and a wholly-owned subsidiary of the Company, Parent and the Purchaser have entered into a Carrier Acquisition Agreement, dated as of September 18, 1998 (the "Carrier Acquisition Agreement"), pursuant to which Parent will acquire CGSI by a merger of CGSI with and into the Purchaser (the transactions contemplated by the Carrier Acquisition Agreement herein referred to as the "Carrier

Acquisition"). Parent, the Purchaser and the Company will apply to the FCC for those approvals necessary to consummate the Carrier Acquisition, to have the Purchaser approved to be an Authorized Carrier (as defined in the Offer to Purchase) and to have the Purchaser be, as an Authorized Carrier, authorized by the FCC to acquire the maximum number of Shares to be purchased pursuant to the Offer.

THE BOARD OF DIRECTORS OF THE COMPANY HAS BY A UNANIMOUS VOTE (EXCLUDING THREE DIRECTORS WHO EITHER WERE ABSENT OR ABSTAINED) APPROVED THE OFFER, THE MERGER AND THE MERGER AGREEMENT AND DETERMINED THAT THE TERMS OF EACH OF THE OFFER, THE MERGER AND THE MERGER AGREEMENT ARE CONSISTENT WITH, AND IN FURTHERANCE OF, THE LONG-TERM BUSINESS STRATEGY OF THE COMPANY AND ARE FAIR TO THE SHAREHOLDERS OF THE COMPANY, AND RECOMMENDS THAT THE COMPANY SHAREHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

IN VIEW OF THE AUTHORIZED CARRIER CONDITIONS, IT IS EXPECTED THAT A SIGNIFICANT PERIOD OF TIME WILL ELAPSE BETWEEN THE COMMENCEMENT AND THE CONSUMMATION OF THE OFFER, WHILE THE PARTIES SEEK TO OBTAIN THE REGULATORY APPROVALS REQUIRED IN ORDER TO SATISFY THE CONDITIONS TO THE OFFER. THE PURCHASER MAY BE REQUIRED TO EXTEND THE EXPIRATION DATE ONE OR MORE TIMES WHILE THE PURCHASER SEEKS TO OBTAIN SUCH REGULATORY APPROVALS. IN ADDITION, IN VIEW OF THE NEED FOR LEGISLATION RELATING TO THE AMENDMENT OR REPEAL OF THE SATELLITE ACT AND FOR ADDITIONAL REGULATORY APPROVALS AS CONDITIONS TO THE CONSUMMATION OF THE MERGER, THERE MAY BE A FURTHER SIGNIFICANT PERIOD OF TIME BETWEEN THE PURCHASE OF SHARES PURSUANT TO THE OFFER AND THE CONSUMMATION OF THE MERGER. THERE CAN BE NO ASSURANCE THAT ANY SUCH REGULATORY APPROVALS WILL BE OBTAINED OR ANY SUCH LEGISLATION WILL BE ENACTED, AND IF OBTAINED AND ENACTED, THERE CAN BE NO ASSURANCE AS TO THE DATE SUCH APPROVALS AND ENACTMENTS WILL OCCUR.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment, and thereby purchased, tendered Shares if, as and when the Purchaser gives oral or written notice to First Chicago Trust Company of New York (the "Depositary") of the Purchaser's acceptance of such Shares for payment. Payment for Shares accepted pursuant to the Offer will be made by deposit of the aggregate purchase price therefor with the Depositary, which will act as agent for tendering shareholders for the purpose of receiving payment from the Purchaser and transmitting payment to such tendering shareholders. Under no circumstances will interest on the Offer Price for Shares be paid by the Purchaser by reason of any delay in making such payment.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificate(s) representing tendered Shares (the "Share Certificates") o timely confirmation of a book-entry transfer of such Shares (if such procedure is available) into the Depositary's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined in the Offer to Purchase) in connection with a book-entry transfer, and (iii) any other documents required by the Letter of Transmittal.

Except as otherwise provided in the Offer to Purchase, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless previously accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn

at any time after November 24, 1998. For a withdrawal to be effective, a written 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. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and (if Share Certificates have been tendered) the name of the registered holder, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then prior to the release of such Share Certificates, the serial numbers shown on the particular Share Certificates to be withdrawn must be submitted to the Depositary, and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in the Offer to Purchase), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares, in which case a notice of withdrawal will be effective if delivered to the Depositary by any method of delivery described in Section 3 of the Offer to Purchase. Withdrawals of Shares may not be rescinded. Withdrawn Shares may be retendered at any time prior to the Expiration Date by following one of the procedures described in Section 3 of the Offer to Purchase. All questions as to the form and validity (including, without limitation, time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, the determination of which will be final and binding.

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 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 shareholder to withdraw such shareholder's 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 shareholder 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 shareholder 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.

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 Manger 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.
445 Park Avenue
5th Floor
New York, New York 10022
Toll Free (800) 566-9061
or
Call Collect (212) 754-8000

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
(877) 762-5237 (Toll Free)

September 25, 1998

AGREEMENT AND PLAN OF MERGER

DATED AS OF SEPTEMBER 18, 1998

AMONG

COMSAT CORPORATION,

LOCKHEED MARTIN CORPORATION

AND

DENEB CORPORATION

ARTICLE I

THE OFFER

ARTICLE II

RELATED AGREEMENTS

ARTICLE III

THE MERGER

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF COMSAT

ARTICLE VII

TERMINATION; AMENDMENT; WAIVER

ARTICLE VIII

MISCELLANEOUS

EXHIBITS

SCHEDULES

TABLE OF DEFINED TERMS

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (this "AGREEMENT") dated as of September 18, 1998 among LOCKHEED MARTIN CORPORATION, a Maryland corporation ("LOCKHEED MARTIN"), DENEB CORPORATION, a Delaware corporation and a wholly-owned subsidiary of Lockheed Martin ("ACQUISITION SUB"), and COMSAT CORPORATION, a District of Columbia corporation ("COMSAT").

In consideration of the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, Lockheed Martin, Acquisition Sub and COMSAT 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 7.1 hereof, Lockheed Martin, acting through a wholly-owned single member Delaware limited liability company (the "OFFER SUBSIDIARY"), shall as promptly as practicable, but in no event later than five business days from the date of the public announcement of the terms of this Agreement, commence (within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder (the "EXCHANGE ACT")) an offer to purchase for cash (as it may be amended in accordance with the terms of this Agreement, the "OFFER") up to the number of shares (collectively, the "SHARES") of COMSAT's common stock, without par value (the "COMSAT COMMON STOCK"), that is equal to the remainder of (i) 49% of the number of shares of COMSAT Common Stock outstanding at the close of business on the date of purchase pursuant to the Offer minus (ii) the number of shares of COMSAT Common Stock then owned of record by "authorized carriers" (as defined in the Communications Satellite Act of 1962, as amended, 47 U.S.C. (S)701 et. seq., and all rules and regulations promulgated thereunder (the "SATELLITE ACT")) ("AUTHORIZED CARRIERS"), as evidenced by issuance of shares of Series II COMSAT Common Stock, minus (iii) the number of shares of COMSAT Common Stock with respect to which written demand shall have been made and not withdrawn under Section 29-373 of the District of Columbia Business Corporation Act (the "DCBCA"), at a price of not less than $45.50 per Share, net to the seller in cash (the "OFFER PRICE"). Lockheed Martin shall extend the Offer, for periods of no more than 60 days, until the earlier of (i) the one year anniversary of the date hereof or (ii) 10 business days after the date on which the last of the Authorized Carrier Conditions (as defined in Exhibit A hereto) shall have been obtained. The obligation of Lockheed Martin to accept for payment, and pay for, any Shares tendered pursuant to the Offer shall be subject to the conditions set forth in Exhibit A (any of which may be waived in whole or in part by Lockheed Martin in its sole discretion), and to the terms and conditions of this Agreement. Lockheed Martin expressly reserves the right to modify the terms and

conditions of the Offer, except that, without the prior written consent of COMSAT, Lockheed Martin shall not (i) reduce the number of Shares subject to the Offer, (ii) waive the Minimum Condition (as defined in Exhibit A hereto), (iii) reduce the Offer Price, (iv) modify or add to the conditions set forth in Exhibit A, (v) except as provided in this Section 1.1(a), extend the term of the Offer, (vi) change the form of the consideration payable in the Offer or (vii) make any other modifications that are otherwise materially adverse to holders of COMSAT Common Stock. Notwithstanding the foregoing, Lockheed Martin may, without the consent of COMSAT, (A) extend the term of the Offer beyond any scheduled expiration date of the Offer (but not beyond the two year anniversary of the date hereof) if, at any such scheduled expiration date, any of the conditions to Lockheed Martin's obligation to accept for payment, and pay for, Shares tendered pursuant to the Offer shall not have been satisfied or waived and (B) extend the Offer (but not beyond the two year anniversary of the date hereof) for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer or any other applicable Law (as hereinafter defined). Upon the terms and subject to the conditions of the Offer, Lockheed Martin shall accept for payment and will pay for, as soon as permitted under the terms of the Offer, Shares validly tendered and not withdrawn prior to the expiration of the Offer. The date and time at which the Offer shall close is referred to as the "OFFER CLOSING TIME".

(b) Lockheed Martin shall not, nor shall it permit any of its affiliates to, tender into the Offer any shares of COMSAT Common Stock beneficially owned by it; provided, that shares of COMSAT Common Stock held beneficially or of record by any plan, program or arrangement sponsored by Lockheed Martin or maintained for the benefit of employees of Lockheed Martin or any of its Subsidiaries (as hereinafter defined) shall be deemed not to be held by Lockheed Martin or an affiliate thereof regardless of whether Lockheed Martin has, directly or indirectly, the power to vote or control the disposition of such shares of COMSAT Common Stock. COMSAT shall not, nor shall it permit any of its Subsidiaries to, tender into the Offer any shares of COMSAT Common Stock beneficially owned by it; provided, that shares of COMSAT Common Stock held beneficially or of record by any plan, program or arrangement sponsored by COMSAT or maintained for the benefit of employees of COMSAT or any of its Subsidiaries shall be deemed not to be held by COMSAT regardless of whether COMSAT has, directly or indirectly, the power to vote or control the disposition of such shares of COMSAT Common Stock.

(c) Notwithstanding anything to the contrary contained in this Agreement, Lockheed Martin shall not be required to commence the Offer in any foreign country where the commencement of the Offer, in Lockheed Martin's reasonable opinion, would violate the applicable Law of such jurisdiction.

(d) On the date of the commencement of the Offer, Lockheed Martin shall file with the SEC a Tender Offer Statement on Schedule 14D-1 with respect to the Offer, which will contain the offer to purchase and form of the related letter of transmittal (together with any supplements or amendments thereto, the "OFFER DOCUMENTS"). The Offer Documents shall comply as to form in all material respects with the requirements of the Exchange Act and, on the date filed with the SEC and when first published, sent or given to COMSAT's shareholders,

shall not 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, except that no representation is made by Lockheed Martin with respect to information supplied by COMSAT in writing for inclusion in the Offer Documents or incorporated therein by reference to any statement, report or other document filed by or on behalf of COMSAT with the SEC. Upon obtaining knowledge, Lockheed Martin or COMSAT shall correct promptly any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and Lockheed Martin further shall take all steps necessary to amend or supplement the Offer Documents and to cause the Offer Documents as so amended or supplemented to be filed with the SEC and to be disseminated to COMSAT's shareholders, in each case as and to the extent required by applicable federal securities Laws. COMSAT 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. Lockheed Martin shall provide COMSAT and its counsel in writing with any comments Lockheed Martin and its counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt thereof. Lockheed Martin shall take all steps reasonably necessary to cause the Offer Documents to be filed with the SEC and disseminated to the holders of COMSAT Common Stock, in each case as, and to the extent, required by applicable Law.

SECTION 1.2. COMSAT ACTIONS.

(a) COMSAT hereby consents to the Offer and represents that its Board of Directors, at a meeting duly called and held, has by resolutions duly adopted, and not rescinded or modified, by a unanimous vote (excluding any directors absent and any directors who recused themselves pursuant to Section 8.06 of COMSAT's Articles of Incorporation) (i) determined as of the date hereof that the Offer and the Merger are fair to the shareholders of COMSAT, are advisable and are in the best interests of the shareholders of COMSAT, (ii) subject to the terms and conditions set forth herein, approved the Offer, the Merger and this Agreement, which approval constitutes approval of the Merger and this Agreement for purposes of Section 29-364 of DCBCA, (iii) directed that the Merger and this Agreement be submitted to a vote of the shareholders of COMSAT, which direction constitutes the direction required by Section 29-366 of the DCBCA with respect to the Merger and this Agreement and (iv) recommended acceptance of the Offer and approval of the Merger and this Agreement by the shareholders of COMSAT, which approval, if obtained, will constitute approval of the Merger and this Agreement for purposes of Section 29-367 of DCBCA. COMSAT further represents that Donaldson, Lufkin & Jenrette Securities Corporation has delivered to the Board of Directors of COMSAT its opinion that as of the date hereof the consideration to be received in the Offer and the Merger by holders of shares of COMSAT Common Stock is fair to the holders of COMSAT Common Stock from a financial point of view.

(b) COMSAT shall, subject to the provisions of this Agreement (i) file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (the "SCHEDULE 14D-9") containing a recommendation of acceptance of the Offer and approval of the Merger and this Agreement by the shareholders of COMSAT and (ii) mail such Schedule 14D-9 to the

shareholders of COMSAT; provided, that subject to the provisions of Section 6.4(b) hereof, such recommendation may be withdrawn, modified or amended. Such Schedule 14D-9 shall be, if so requested by Lockheed Martin, filed on the same date as Lockheed Martin'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. The Schedule 14D-9 shall comply as to form in all material respects with the requirements of the Exchange Act and, on the date filed with the SEC and when first published, sent or given to COMSAT's shareholders, shall not 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, except that no representation is made by COMSAT with respect to information supplied by Lockheed Martin in writing for inclusion in the Schedule 14D-9. Upon obtaining knowledge, each of COMSAT and Lockheed Martin shall correct promptly any information provided by it for use in the Schedule 14D-9 if and to the extent that such information shall have become false or misleading in any material respect, and COMSAT further shall take all steps necessary to amend or supplement the Schedule 14D-9 and to cause the Schedule 14D-9 as so amended or supplemented to be filed with the SEC and disseminated to COMSAT's shareholders, in each case as and to the extent required by applicable federal securities Laws. Lockheed Martin and its counsel shall be given a reasonable opportunity to review and comment on the Schedule 14D-9, and each such amendment or supplement, prior to COMSAT's filing of the Schedule 14D-9 or such supplement or amendment, as the case may be, with the SEC. COMSAT shall provide Lockheed Martin and its counsel in writing with any comments COMSAT or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 or such supplement or amendment, as the case may be, promptly after the receipt thereof.

SECTION 1.3. SHAREHOLDER LISTS. In connection with the Offer, at the request of Lockheed Martin, from time to time after the date hereof, COMSAT shall promptly furnish Lockheed Martin 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 Lockheed Martin with such information and assistance as Lockheed Martin or its agents may reasonably request in communicating the Offer to the record and beneficial holders of Shares. Subject to the requirements of applicable Law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Lockheed Martin shall hold in confidence the information contained in any such labels, listings and files, and the additional information referred to in the preceding sentence, will use such information only in connection with the Offer and the Merger and, if this Agreement shall be terminated, shall, upon request, deliver to COMSAT all copies of such information then in its possession or control or in the possession or control of its agents or representatives.

ARTICLE II

RELATED AGREEMENTS

SECTION 2.1. REGISTRATION RIGHTS AGREEMENT. Simultaneous with the execution and delivery of this Agreement, Lockheed Martin and COMSAT shall execute and deliver the Registration Rights Agreement, substantially in the form attached hereto as Exhibit B (the "REGISTRATION RIGHTS AGREEMENT"), with respect to the Shares.

SECTION 2.2. SHAREHOLDERS AGREEMENT. Simultaneous with the execution and delivery of this Agreement, Lockheed Martin and COMSAT shall execute and deliver the Shareholders Agreement, substantially in the form attached hereto as Exhibit C (the "SHAREHOLDERS AGREEMENT").

SECTION 2.3. CARRIER ACQUISITION AGREEMENT. Simultaneous with the execution and delivery of this Agreement, Lockheed Martin, Offer Subsidiary, COMSAT and COMSAT Government Systems, Inc., a Delaware corporation ("COMSAT CARRIER SUBSIDIARY"), shall enter into an agreement pursuant to which COMSAT Carrier Subsidiary shall be merged with and into Offer Subsidiary, which agreement shall be substantially in the form attached hereto as Exhibit D (the "CARRIER ACQUISITION AGREEMENT," and the transactions contemplated by the Carrier Acquisition Agreement, the "CARRIER ACQUISITION"). (This Agreement, the Registration Rights Agreement, the Shareholders Agreement and the Carrier Acquisition Agreement are hereinafter collectively referred to as the "TRANSACTION AGREEMENTS"). This Agreement contemplates the transactions set forth in the Carrier Acquisition Agreement.

ARTICLE III

THE MERGER

SECTION 3.1. THE MERGER. Upon the terms and subject to the conditions hereof, and in accordance with the DCBCA and the Delaware General Corporation Law (the "DGCL"), at the Effective Time (as hereinafter defined) COMSAT shall be merged with and into Acquisition Sub (the "FORWARD MERGER") as soon as practicable following the satisfaction or waiver of the conditions set forth in Section 3.15 hereof or on such other date as the parties hereto may agree; provided, however, that if the conditions in subsections (a) and (b) of such Section 3.15 are satisfied, but any of the conditions in Section 3.15(c) are not satisfied, then Acquisition Sub shall be merged with and into COMSAT at the Effective Time (the "REVERSE MERGER"). At the Effective Time, if the Forward Merger is effected, then the separate existence of COMSAT shall cease and Acquisition Sub shall continue as the surviving corporation under the name "COMSAT" or, if the Reverse Merger is effected, then the separate existence of Acquisition Sub shall cease and COMSAT shall continue as the surviving corporation. The surviving corporation of the Forward Merger or the Reverse Merger, as the case may be, shall be herein referred to as the "SURVIVING CORPORATION" and the Forward Merger and Reverse Merger shall alternatively be referred to as the "MERGER."

SECTION 3.2. EFFECTIVE TIME; CLOSING. The Merger shall be consummated by (i) filing with the Department of Consumer and Regulatory Affairs of the District of Columbia (the "DCRA") articles of merger, executed and filed in accordance with Section 29-368 of the DCBCA and such other documents as are required by Section 29-371 of the DCBCA and (ii) filing with the Secretary of State of the State of Delaware a certificate of merger, executed and filed in accordance with Sections 103 and 252 of the DGCL (the time the Merger becomes effective being referred to as the "EFFECTIVE TIME"). The parties will cooperate to cause the Effective Time to occur outside of New York Stock Exchange ("NYSE") trading hours. The Merger shall be effective upon the latest to occur of (i) the issuance by the DCRA of a certificate of merger with respect thereto pursuant to Section 29-369 of the DCBCA, (ii) the acceptance for filing of the certificate of merger by the Secretary of State of the State of Delaware pursuant to Section 252 of the DGCL and (iii) the time, if any, specified as the effective time of the Merger in the articles of merger filed in accordance with the DCBCA and the certificate of merger filed in accordance with the DGCL. Prior to the filings referred to in this Section 3.2, a closing (the "CLOSING") will be held at the offices of O'Melveny & Myers LLP, 555 13th Street, N.W., Suite 500 West, Washington, D.C. 20004-1109 (or such other place as the parties may agree), for the purpose of confirming all of the foregoing no later than the second business day after satisfaction or waiver of all the conditions set forth in Section 3.15 (the date of the Closing herein referred to as the "CLOSING DATE").

SECTION 3.3. EFFECTS OF THE MERGER. The Merger shall have the effects set forth in Section 29-370 of the DCBCA and Section 259 of the DGCL. As of the Effective Time, the Surviving Corporation shall be a wholly-owned Subsidiary of Lockheed Martin.

SECTION 3.4. CERTIFICATE OF INCORPORATION AND BY-LAWS. If the Forward Merger is consummated, the Certificate of Incorporation and By-Laws of Acquisition Sub, each 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, except that Article FIRST of the Certificate of Incorporation shall be amended so that it reads in its entirety as follows: "The name of the corporation is COMSAT Corporation". If the Reverse Merger is consummated, the Articles of Incorporation of COMSAT shall be amended at the Effective Time to read in their entirety as set forth in Exhibit E hereto
----
and shall be the Articles of Incorporation of the Surviving Corporation, and the By-Laws of COMSAT as in effect at the Effective Time shall be the By-Laws of the Surviving Corporation, each until amended in accordance with applicable Law.

SECTION 3.5. DIRECTORS. The directors of Acquisition Sub 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 or Articles of Incorporation of the Surviving Corporation, as the case may be, and the By-Laws of the Surviving Corporation, or as otherwise provided by Law.

SECTION 3.6. OFFICERS. The officers of COMSAT 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 or Articles of Incorporation of the Surviving Corporation, as the case may be, and the By-Laws of the Surviving Corporation, or as otherwise provided by Law.

SECTION 3.7. EFFECT ON CAPITAL STOCK. At the Effective Time:

(a) Each share of COMSAT Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of COMSAT Common Stock held in the treasury of COMSAT, held by Offer Subsidiary, held by Lockheed Martin, if any, and Dissenting Shares (as hereinafter defined), if any) shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive 0.5 shares of Lockheed Martin common stock, par value $1 per share (the "LOCKHEED MARTIN COMMON STOCK") (as subject to adjustment pursuant to Section 3.14 hereof, the "MERGER CONSIDERATION"), issuable to the holder thereof upon the surrender of the certificate formerly representing such share of COMSAT Common Stock (except as provided in Section 6.13 hereof).

(b) Each share of COMSAT Common Stock held in the treasury of COMSAT, each share of COMSAT Common Stock held by Offer Subsidiary, and each share of COMSAT Common Stock held by Lockheed Martin, if any, 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 and no consideration shall be received therefor; provided, that shares of COMSAT Common
----
Stock held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Lockheed Martin or COMSAT or any of their respective Subsidiaries shall be deemed not to be held by Lockheed Martin, Offer Subsidiary or COMSAT regardless of whether Lockheed Martin, Offer Subsidiary or COMSAT has, directly or indirectly, the power to vote or control the disposition of such shares of COMSAT Common Stock.

(c) In the case of the Forward Merger, each share of common stock, par value $1.00 per share, of Acquisition Sub 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 remain outstanding as one share of the Surviving Corporation, or in the case of the Reverse Merger, be converted into and exchangeable for one share of common stock of the Surviving Corporation.

SECTION 3.8. DISSENTING SHARES. Notwithstanding anything in this Agreement to the contrary, shares of COMSAT Common Stock which are issued and outstanding immediately prior to the Effective Time and which are held by shareholders who have not voted such shares of COMSAT Common Stock in favor of the Merger and shall have delivered a written demand for appraisal of such shares of COMSAT Common Stock in the manner provided in Section 29-373 of the DCBCA (the "DISSENTING SHARES") shall not be converted into or be exchangeable for the right to receive the Merger Consideration, 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 DCBCA. If such holder shall have so failed to perfect or shall have effectively withdrawn or lost such right, such holder's shares of COMSAT Common Stock shall thereupon be deemed to have been converted into and to have become exchangeable for, at the Effective Time, the right to receive the Merger Consideration.

SECTION 3.9. EXCHANGE OF STOCK.

(a) Prior to the Effective Time, Lockheed Martin shall designate a bank or trust company reasonably acceptable to COMSAT to act as exchange agent for the holders of the shares of COMSAT Common Stock in connection with the Merger (the "EXCHANGE AGENT"). At the Effective Time, Lockheed Martin will deposit with the Exchange Agent, in trust for the benefit of holders of shares of COMSAT Common Stock, certificates representing the Lockheed Martin Common Stock issuable pursuant to Section 3.7(a) hereof in exchange for outstanding shares of COMSAT Common Stock. Lockheed Martin shall make available to the Exchange Agent cash sufficient to pay cash in lieu of fractional shares pursuant to Section 3.10 hereof and any dividends and other distributions pursuant to Section 3.9(d) hereof. Any cash and certificates of Lockheed Martin Common Stock deposited with the Exchange Agent shall hereinafter be referred to as the "EXCHANGE FUND".

(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 of COMSAT Common Stock (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 effecting the surrender of such Certificates in exchange for the applicable Merger Consideration in such form as Lockheed Martin shall reasonably specify. 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 promptly receive in exchange therefor (A) one or more shares of Lockheed Martin Common Stock representing, in the aggregate, the whole number of shares that such holder has the right to receive pursuant to Section 3.7(a) hereof (after taking into account all shares of COMSAT Common Stock then held by such holder) and (B) a check in the amount equal to the cash that such holder has the right to receive pursuant to the provisions of this Article III, including cash in lieu of any fractional shares of Lockheed Martin Common Stock pursuant to Section 3.10 hereof. No interest will be paid or will accrue on any cash payable pursuant to Section 3.9(d) hereof or Section 3.10 hereof upon the surrender of the Certificates. All distributions to holders of Certificates shall be subject to any applicable federal, state, local and foreign tax withholding, and such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of Certificates in respect of which such deduction and withholding was made. If the Merger Consideration is to be distributed to a Person (as defined below) other than the Person in whose name the Certificate surrendered is registered, it shall be a condition of such distribution that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer (including signature guarantees, if required by the Surviving Corporation in its sole discretion) 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 3.9, each Certificate (other than Certificates representing shares of COMSAT Common Stock held by Lockheed Martin or any Subsidiary of Lockheed Martin, shares of COMSAT Common Stock held in the treasury of COMSAT or held by any Subsidiary of COMSAT and Dissenting Shares) shall represent for all purposes only the right to receive the Merger Consideration. The Surviving Corporation shall pay all charges and expenses, including those of the Exchange Agent, in connection with the distribution of the Merger Consideration. For purposes of this Agreement, the term "PERSON" means any individual, firm, trust, partnership, joint venture, association, corporation, limited liability company, unincorporated organization, Governmental Authority (as hereinafter defined), or other entity including, without limitation, the International Telecommunications Satellite Organization ("INTELSAT") or the International Maritime Satellite Organization ("INMARSAT").

(c) After the Effective Time, there shall be no transfers on the stock transfer books of the Surviving Corporation of the shares of COMSAT Common Stock 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 Merger Consideration in accordance with the procedures set forth in this Section 3.9.

(d) No dividends or other distributions declared or made with respect to shares of Lockheed Martin Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Lockheed Martin Common Stock that such holder would be entitled to receive upon surrender of such Certificate and no cash payment in lieu of fractional shares of Lockheed Martin Common Stock shall be paid to any such holder pursuant to Section 3.10 hereof until such holder shall surrender such Certificate in accordance with Section 3.9(b) hereof. Subject to the effect of applicable Laws, including, without limitation, Laws of escheat, following surrender of any such Certificate, there shall be paid to such holder of shares of Lockheed Martin Common Stock issuable in exchange therefor, without interest, (a) promptly after the time of such surrender, the amount of any cash payable in lieu of fractional shares of Lockheed Martin Common Stock to which such holder is entitled pursuant to Section 3.10 hereof and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Lockheed Martin Common Stock, and (b) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such shares of Lockheed Martin Common Stock.

(e) All shares of Lockheed Martin Common Stock issued and cash paid upon conversion of shares of COMSAT Common Stock in accordance with the terms of this Article III (including any cash paid pursuant to Section 3.9(d) or Section 3.10 hereof) shall be deemed to have been issued or paid in full satisfaction of all rights pertaining to the shares of COMSAT Common Stock.

SECTION 3.10. NO FRACTIONAL SHARES OF LOCKHEED MARTIN COMMON STOCK.

(a) No certificates or scrip representing fractional shares of Lockheed Martin Common Stock shall be issued upon the surrender for exchange of Certificates and such fractional share interests will not be considered deliverable shares under Section 3.7(a) hereof, and will not entitle the owner thereof to vote or to have any rights of a shareholder of Lockheed Martin or a holder of shares of Lockheed Martin Common Stock.

(b) Notwithstanding any other provision of this Agreement, each holder of shares of COMSAT Common Stock exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Lockheed Martin Common Stock (after taking into account all Certificates delivered by such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional part of a share of Lockheed Martin Common Stock multiplied by (ii) the closing price per share of Lockheed Martin Common Stock reported on the NYSE Composite Tape on the last full trading day prior to the Effective Time. As promptly as practicable after the determination of the amount of cash, if any, to be paid to holders of COMSAT Common Stock with respect to fractional interests, the Exchange Agent shall so notify Lockheed Martin, and Lockheed Martin shall or shall cause the Surviving Corporation to deposit such amount with the Exchange Agent and shall cause the Exchange Agent to forward payments to such holders of fractional share interests subject to and in accordance with the terms hereof.

SECTION 3.11. TERMINATION OF EXCHANGE FUND. Any portion of the Exchange Fund which remains undistributed to the holders of Certificates for twelve months after the Effective Time shall be delivered to the Surviving Corporation or otherwise on the instruction of the Surviving Corporation, and any holders of the Certificates who have not theretofore complied with this Article III shall, subject to the effect of applicable Laws, including without limitation, Laws of escheat, thereafter look only to the Surviving Corporation and Lockheed Martin for the Merger Consideration with respect to the shares of COMSAT Common Stock formerly represented thereby to which such holders are entitled pursuant to Section 3.7 hereof and Section 3.9 hereof, any cash in lieu of fractional shares of Lockheed Martin Common Stock to which such holders are entitled pursuant to Section 3.10 hereof and any dividends or distributions with respect to shares of Lockheed Martin Common Stock to which such holders are entitled pursuant to Section 3.9(d) hereof. Any such portion of the Exchange Fund remaining unclaimed by holders of shares of COMSAT Common Stock five years after the Effective Time (or such earlier date immediately prior to such time as such amounts would otherwise escheat to or become property of any Governmental Authority (as defined below)) shall, to the extent permitted by Law, become the property of the Surviving Corporation free and clear of any claims or interest of any Person previously entitled thereto. For purposes of this Agreement, the term "GOVERNMENTAL AUTHORITY" means any agency, bureau, commission, court, department, officer, political subdivision, or other instrumentality of any nation or government, any region, state, or other political subdivision thereof whether federal, state, county or local, domestic or foreign (excluding INTELSAT or Inmarsat), or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining

to government, and any Person owned or controlled through stock or capital ownership or otherwise by any of the foregoing.

SECTION 3.12. NO LIABILITY. None of Lockheed Martin, Acquisition Sub, COMSAT, the Surviving Corporation or the Exchange Agent shall be liable to any Person in respect of any Merger Consideration from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

SECTION 3.13. LOST CERTIFICATES. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration with respect to the shares of COMSAT Common Stock formerly represented thereby, any cash in lieu of fractional shares of Lockheed Martin Common Stock, and unpaid dividends and distributions on shares of Lockheed Martin Common Stock deliverable in respect thereof, pursuant to this Agreement.

SECTION 3.14. CERTAIN ADJUSTMENTS. Without limiting any other provision of this Agreement, if, between the date of this Agreement and the Effective Time, the outstanding shares of Lockheed Martin Common Stock shall be changed into a different number or a different class or series of shares by reason of any reclassification, recapitalization, stock split, reverse stock split, combination or exchange of shares or any other similar transaction, or any dividend payable in stock or other securities shall be declared thereon with a record date within such period, the Merger Consideration established pursuant to the provisions of Section 3.7 hereof shall be adjusted accordingly to provide to the holders of COMSAT Common Stock the same economic effect as contemplated by this Agreement prior to such reclassification, recapitalization, stock split, reverse stock split, combination, exchange or dividend.

SECTION 3.15. CONDITIONS TO CLOSING OF MERGER.

(a) The obligation of each party to effect the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

(i) Offer Subsidiary shall have purchased Shares pursuant to the Offer;

(ii) the Satellite Act, and other applicable Laws, shall have been amended or repealed, and all applicable proceedings before the Federal Communications Commission ("FCC") or other Governmental Authority necessary to implement such amendment or repeal shall have been completed to the extent necessary to permit the consummation of the Merger as contemplated by the terms of this Agreement;

(iii) any applicable waiting period related to the Merger under the Antitrust Laws (as hereinafter defined) shall have terminated or expired and all consents or approvals required under the Antitrust Laws shall have been received;

(iv) the shares of Lockheed Martin Common Stock to be issued in the Merger and such other shares to be reserved for issuance in connection with the Merger shall have been approved upon official notice of issuance for listing on the NYSE; and

(v) the Form S-4 (as hereinafter defined) shall have been declared effective by the SEC under the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder (the "SECURITIES ACT"). No stop order suspending the effectiveness of the Form S-4 shall have been issued by the SEC and no proceedings for that purpose shall have been initiated or threatened by the SEC; and

(vi) the shareholders of COMSAT shall have approved the Merger and this Agreement pursuant to Section 29-367 of the DCBCA.

(b) The obligations of Lockheed Martin and Acquisition Sub to effect the Merger are further subject to the satisfaction at or prior to the Effective Time of the following conditions:

(i) (A) after the date of this Agreement, there shall not have been any change in existing Law or any new Law promulgated, enacted, enforced or deemed applicable to COMSAT or to the transactions contemplated by this Agreement nor (B) shall INTELSAT or Inmarsat have adopted a plan for privatization, or have been privatized, in whole or in part, in a manner or pursuant to terms and conditions (or, in the case of an adopted plan, proposed terms and conditions), in the case of either clause (A) or clause (B) that Lockheed Martin determines in good faith (after consultation with COMSAT) would reasonably be expected to have a Significant Adverse Effect(as defined below);

(ii) all consents and approvals from Governmental Authorities (including the FCC) or any other Person required for the consummation of the Merger as contemplated by the terms of this Agreement shall have been granted, except where the failure to obtain such consent or approval, individually or in the aggregate, would not reasonably be expected to have a Significant Adverse Effect; and

(iii) since the date of this Agreement, there shall not have occurred any event that has had or would reasonably be expected to have a Significant Adverse Effect.

For purposes of this Agreement, the term "SIGNIFICANT ADVERSE EFFECT" means a Material Adverse Effect on COMSAT (as hereinafter defined, but including, for purposes of determining whether there has been a Significant Adverse Effect, any effects or changes arising out of, resulting from or relating to general economic, financial or industry conditions) of such seriousness and significance that a reasonable businessperson in similar circumstances would not proceed with the Merger on the terms and conditions set forth in this Agreement.

COMSAT will furnish Lockheed Martin with such certificates and other documents to evidence the fulfillment of the conditions set forth in this Section 3.15(b) as Lockheed Martin may reasonably request.

(c) The obligation of each party to effect the Forward Merger is further subject to the satisfaction at or prior to the Effective Time of the following conditions and if any of the following conditions are not satisfied, but the conditions set forth in Sections 3.15(a) and 3.15(b) are satisfied, the Reverse Merger shall be effected:

(i) the aggregate fair market value of the shares of Lockheed Martin Common Stock, deliverable pursuant to Section 3.7(a) hereof upon consummation of the Forward Merger, based upon the most recent closing price of such stock on the NYSE Composite Tape on the last full trading day prior to the Effective Time (the "STOCK VALUE"), would be at least 40% of the sum of (A) the Stock Value, (B) the aggregate amount paid by Lockheed Martin to purchase Shares pursuant to the Offer, (C) cash payable in respect of Dissenting Shares (assuming for these purposes that the per share amount payable in respect of Dissenting Shares is $50 per share), and (D) cash payable in respect of fractional shares (assuming for these purposes that each holder of record of COMSAT Common Stock as of the close of the last trading day prior to the Effective Time is entitled to receive $50 in respect of fractional share interests);

(ii) COMSAT shall have received from Skadden, Arps, Slate, Meagher, & Flom LLP, counsel to COMSAT, a written opinion dated as of the Closing Date, substantially in the form attached hereto as Exhibit F, based upon representations of COMSAT and Lockheed Martin (including representations relating to any material transactions currently under consideration by COMSAT and Lockheed Martin, respectively) contained in tax certificates. Such representations shall be those that customarily would be required in similar circumstances. The written opinion shall be substantially to the effect that the Forward Merger will be treated for U.S. federal income tax purposes as a reorganization qualifying under the provision of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "CODE");

(iii) Lockheed Martin shall have received from King & Spalding, counsel to Lockheed Martin, a written opinion dated as of the Closing Date, substantially in the form attached hereto as Exhibit F, based upon representations of COMSAT and Lockheed Martin (including representations relating to any material

transactions currently under consideration by COMSAT and Lockheed Martin, respectively) contained in tax certificates. Such representations shall be those that customarily would be required in similar circumstances. The written opinion shall be substantially to the effect that the Forward Merger will be treated for U.S. federal income tax purposes as a reorganization qualifying under the provision of Section 368(a) of the Code; and

(iv) all required consents or approvals from Governmental Authorities (including the FCC) or any other Person shall have been obtained to permit the consummation of the Forward Merger, except where the failure to obtain such consent or approval, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on COMSAT's business.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF COMSAT

Except as set forth in the disclosure schedule delivered prior to the execution hereof to Lockheed Martin (the "COMSAT DISCLOSURE SCHEDULE") (each section of which qualifies only the corresponding numbered representation and warranty or covenant as specified therein), COMSAT represents and warrants to Lockheed Martin and Acquisition Sub as follows:

SECTION 4.1. ORGANIZATION. Each of COMSAT and its Subsidiaries is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization or formation and has all requisite power and authority, as a corporation, limited liability company or limited partnership, as the case may be, to own, lease and operate its properties and to carry on its business as now being conducted, except, in the case of Subsidiaries, where the failure to be so organized, existing and in good standing or to have such power and authority would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on COMSAT and except as set forth in Section 4.1 of the COMSAT Disclosure Schedule. For purposes of this Agreement, the term "MATERIAL ADVERSE EFFECT" shall mean any change or effect that is materially adverse to (i) the business, properties, operations, results of operations or financial condition of the referenced Person and its Subsidiaries, taken as a whole, other than any effects or changes arising out of, resulting from or relating to general economic, financial or industry conditions or (ii) the ability of any of the referenced Person and its Subsidiaries to perform its obligations under this Agreement and the Carrier Acquisition Agreement. Each of COMSAT and its 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, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT and except as set forth in Section 4.1 of the COMSAT Disclosure Schedule. COMSAT has heretofore delivered or made available to Lockheed Martin accurate and complete

copies of the Articles of Incorporation and By-Laws (or other similar organizational documents in the case of an entity other than a corporation), as currently in effect, of COMSAT and each of its Subsidiaries. For purposes of this Agreement, the term "LAWS" shall mean collectively, any law, rule, regulation, statute, writ, ordinance, judgment, decision, decree, ruling, Order (as hereinafter defined), award, injunction or other official action of any Governmental Authority.

SECTION 4.2. AUTHORITY. COMSAT has full corporate power and authority to execute and deliver each Transaction Agreement to which it is a party and subject to the limitations of the Satellite Act, COMSAT's Articles of Incorporation, and COMSAT's Bylaws to consummate the transactions contemplated thereby. The execution and delivery of each such Transaction Agreement by COMSAT and the consummation of the transactions contemplated thereby have been duly and validly authorized by the Board of Directors of COMSAT and no other corporate proceedings on the part of COMSAT are necessary to authorize any such Transaction Agreement or to consummate the transactions contemplated thereby, other than, with respect to the Merger, the approval of the Merger and this Agreement by the shareholders of COMSAT and, with respect to the amendment to COMSAT's Articles of Incorporation called for in the Shareholders Agreement (the "AMENDMENT"), the approval thereof by the Board of Directors and shareholders of COMSAT as contemplated by the Shareholders Agreement. This Agreement and each other Transaction Agreement has been duly and validly executed and delivered by COMSAT and constitutes the valid and binding agreement of COMSAT (and assuming due and valid authorization, execution and delivery thereof by the other parties thereto) enforceable against COMSAT in accordance with its 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 the creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity). The approval of the Merger, this Agreement and the Amendment by two-thirds of the votes entitled to be cast by all holders of COMSAT Common Stock is the only vote of the holders of any class or series of the capital stock of COMSAT required to approve any Transaction Agreement or the transactions contemplated thereby. For purposes of this Agreement, the term "SUBSIDIARY", when used with respect to any Person, means, (i) any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect 50% or more of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Person or (ii) a partnership, limited liability company, joint venture or similar entity or arrangement however organized or constituted in which the Person or a Subsidiary of the Person is, at the date of determination, a general partner, limited partner or member, as the case may be, but only if the Person or its Subsidiary is entitled at any time to receive 50% or more of the amounts distributed or distributable by such partnership, limited liability company, joint venture or other entity or pursuant to such arrangement to the partners or members thereof or parties thereto, whether upon dissolution, termination or otherwise.

SECTION 4.3. CONSENTS AND APPROVALS; NO VIOLATIONS. Except for any applicable requirements of the Securities Act, the Exchange Act, Antitrust Laws, the Communications Act of 1934, as amended, and all rules and regulations promulgated thereunder (the "COMMUNICATIONS ACT") and the Satellite Act, the filing and recordation of articles and/or a

certificate of merger with respect to the Merger, as required by the DCBCA and the DGCL, respectively, the filing with and approval of the NYSE and the SEC with respect to the delisting and deregistering of the shares of COMSAT Common Stock, such filings and approvals as may be required under the "takeover" or "blue sky" Laws of various states or as disclosed in Section 4.3 of the COMSAT Disclosure Schedule, neither the execution and delivery of this Agreement by COMSAT nor the consummation by COMSAT of any transaction contemplated hereby will (i) conflict with or result in any breach of any provision of the Articles of Incorporation or By-Laws of COMSAT or the articles of incorporation or by-laws of any of its Subsidiaries (other than those Subsidiaries which, either individually or in the aggregate, would not be a "significant subsidiary" within the meaning of Regulation S-X promulgated under the Securities Act) (each such Subsidiary, other than those described in the preceding parenthetical, herein called a "SIGNIFICANT SUBSIDIARY"), (ii) require on the part of COMSAT, such Subsidiary or a Significant Subsidiary any filing with, or the obtaining of any permit, authorization, consent or approval of, any Governmental Authority or any other Person, (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 any mortgage, deed of trust, lien (statutory or otherwise), pledge, hypothecation, charge, deposit arrangement, preference, priority, security interest, restriction or transfer or encumbrance of any kind (including, without limitation, any conditional sale contract, any capitalized lease or any financing lease having substantially the same economic effect as the foregoing and the filing of or agreement to give any financing statement under the Uniform Commercial Code or comparable Law of any jurisdiction to evidence any of the foregoing) (collectively, "LIENS") 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 COMSAT or any of its Subsidiaries is a party or by which any of them or any of their Assets may be bound (including, without limitation, the COMSAT Contracts (as hereinafter defined)) or (iv) violate any Law applicable to COMSAT or any of its Subsidiaries or any of their Assets (as defined below), except for such requirements, defaults, rights or violations under clauses (ii), (iii) and (iv) above (x) which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT or (y) which become applicable as a result of the business or activities in which Lockheed Martin or Acquisition Sub is or proposes to be engaged (other than the business or activities of COMSAT and its Subsidiaries, considered independently of the ownership thereof by Lockheed Martin and Acquisition Sub) or as a result of other facts or circumstances specific to Lockheed Martin or Acquisition Sub. For purposes of this Agreement, the term "ASSETS" means all assets, of whatever nature, tangible, intangible, real or personal.

SECTION 4.4. CAPITALIZATION.

(a) As of the close of business on September 11, 1998, the authorized capital stock of COMSAT consisted of (i) 100,000,000 shares of COMSAT Common Stock, of which 52,494,820 shares were issued and outstanding of which 52,475,862 shares were Series I Common Stock, inclusive of shares subject to restrictions, and 18,958 shares were Series II Common Stock, and (ii) 5,000,000 shares of Preferred Stock, without par value ("COMSAT PREFERRED STOCK"), of which no shares were issued and outstanding. Since the close of business

on September 11, 1998 through the date hereof, no shares of Series II Common Stock in addition to those set forth in the preceding sentence have been issued. As of the close of business on September 11, 1998, (i) 3,562,415 shares of COMSAT Common Stock were issuable upon the exercise of outstanding vested and non-vested options (the "COMSAT STOCK OPTIONS") granted under COMSAT's stock option plans (the "STOCK OPTION PLANS") and (ii) not more than 9,000 shares of COMSAT Common Stock were issuable upon the exercise of other rights to acquire shares of COMSAT Common Stock granted under other programs of COMSAT or any of its Subsidiaries that afford to employees or directors of COMSAT and its Subsidiaries the opportunity to acquire shares of COMSAT Common Stock, each as amended (such programs together with the Stock Option Plans, the "COMSAT STOCK PLANS"), copies of which have previously been delivered to Lockheed Martin. Since the close of business on September 11, 1998, COMSAT has not granted any COMSAT Stock Options, issued any other right to acquire shares of its capital stock or granted any restricted shares or restricted share units of COMSAT Common Stock under the COMSAT Stock Plans, or otherwise issued any shares of its capital stock except (i) as permitted by this Agreement, (ii) as set forth in Section 4.4(a) of the COMSAT Disclosure Schedule, (iii) upon exercise of the COMSAT Stock Options or (iv) pursuant to a nondiscretionary grant under the COMSAT Savings and Profit Sharing Plan, the COMSAT Employee Stock Purchase Plan, or the COMSAT Investors Plus Plan in accordance with the current terms of such Plan. Except as set forth above and as otherwise permitted in this Agreement, there are not now, and at the Effective Time there will not be, any Equity Securities of COMSAT issued or outstanding. For purposes of this Agreement, the term "EQUITY SECURITIES" of a Person means the capital stock of the Person and all other securities (whether or not issued by such Person but excluding any exchange traded or privately granted options) convertible into or exchangeable or exercisable for any shares of its capital stock, all rights or warrants to subscribe for or to purchase, all options for the purchase of, and all calls, commitments, agreements, arrangements, undertakings or claims of any character relating to, any shares of its capital stock and any securities convertible into or exchangeable or exercisable for any of the foregoing.

(b) All outstanding shares of capital stock of COMSAT are duly authorized, validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(c) Except with respect to the outstanding shares of COMSAT Common Stock and the COMSAT Stock Options, there are no outstanding bonds, debentures, notes or other indebtedness or other securities of COMSAT having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of COMSAT may vote.

(d) Except as set forth in Section 4.4(d) of the COMSAT Disclosure Schedule or with respect to the COMSAT Stock Options, the Shareholders Agreement, the restrictions set forth at Sections 303 and 304 of the Satellite Act (47 U.S.C. (S)(S)733 and 734), resolutions by the Board of Directors of COMSAT (which currently restrict the exercise of voting rights with respect to the voting of shares of COMSAT Common Stock held by a shareholder that is not an Authorized Carrier in excess of five per centum (5%) of the issued and outstanding COMSAT Common Stock) and the restriction pursuant to Section 5.02(e) of COMSAT's Articles of

Incorporation (which currently limits ownership of COMSAT stock by any shareholder that is not an Authorized Carrier to ten per centum (10%) of the issued and outstanding COMSAT Common Stock), there is no agreement or arrangement restricting the voting or transfer of the Equity Securities of COMSAT.

(e) Except as set forth in Section 4.4(e) of the COMSAT Disclosure Schedule, there are no outstanding contractual obligations, commitments, understandings or arrangements of COMSAT or any of its Subsidiaries to repurchase, redeem or otherwise acquire, reacquire or make any payment in respect of any Equity Securities of COMSAT or any of its Subsidiaries.

(f) Except as contemplated by the Registration Rights Agreement, there are no agreements or arrangements to which COMSAT or any of its Subsidiaries is a party pursuant to which COMSAT is required to register its Equity Securities under the Securities Act.

SECTION 4.5. ABSENCE OF CERTAIN CHANGES. Except (i) as set forth in Section 4.5 of the COMSAT Disclosure Schedule, (ii) as set forth in COMSAT's Annual Report on Form 10-K for the year ended December 31, 1997 (the "COMSAT FORM 10-K"), COMSAT's Quarterly Reports on Form 10-Q for the three month periods ended March 31, 1998 and June 30, 1998, respectively, or any other document filed prior to the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act, or (iii) as contemplated by this Agreement, from June 30, 1998 until the date hereof, neither COMSAT nor any of its Subsidiaries has (x) taken any of the prohibited actions set forth in Section 6.1 hereof, (y) suffered any changes that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on COMSAT or (z) conducted its business or operations in any material respect other than in the ordinary course of business.

SECTION 4.6. REPORTS. For the purposes of this Agreement, the "COMSAT SEC DOCUMENTS" means each registration statement, report, proxy statement or information statement of COMSAT prepared by it since January 1, 1996, in the form (including exhibits and any amendments thereto) filed with the SEC. As of the respective filing dates, the COMSAT SEC Documents (i) complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the COMSAT SEC Documents (including the related notes and schedules) fairly presents the consolidated financial position of COMSAT and its Subsidiaries as of its date, and each of the consolidated statements of income, retained earnings and cash flows included in or incorporated by reference into the COMSAT SEC Documents (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of COMSAT and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with United States generally accepted accounting principles ("GAAP") consistently applied during the periods involved, except as may be noted therein. None of COMSAT and its Subsidiaries has any Liabilities (as defined below) required

to be disclosed in a balance sheet of COMSAT or in the notes thereto prepared in accordance with GAAP consistently applied except (a) Liabilities reflected on, or reserved against in, a balance sheet of COMSAT or in the notes thereto, and included in the COMSAT SEC Documents, (b) Liabilities incurred since June 30, 1998 in the ordinary course of business and (c) as set forth in Section 4.6 of the COMSAT Disclosure Schedule. For purposes of this Agreement, the term "LIABILITIES" means all debts, claims, actions, demands, rights, costs, expenses, liabilities, losses, damages, commitments and obligations (in each case whether fixed, contingent or absolute, accrued or not accrued, that would be required by GAAP to be reflected in financial statements of COMSAT or disclosed in the notes thereto).

SECTION 4.7. NO DEFAULT. Except as set forth in Section 4.7 of the COMSAT Disclosure Schedule, neither COMSAT 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 articles of incorporation or by-laws (or other similar organizational documents in the case of an entity other than corporation), (ii) any note, mortgage, indenture other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or contractual obligation to which COMSAT or any of its Subsidiaries is now a party or by which they or any of their Assets may be bound, or (iii) any Law applicable to COMSAT or any of its Subsidiaries, except for defaults or violations under clause (i), clause (ii) and clause (iii) above that, (A) in the aggregate would not reasonably be expected to have a Material Adverse Effect on COMSAT or (B) become applicable as a result of the business or activities in which Lockheed Martin or Acquisition Sub is or proposes to be engaged (other than the business or activities of COMSAT and its Subsidiaries, considered independently of the ownership thereof by Lockheed Martin and Acquisition Sub) or as a result of any other facts or circumstances specific to Lockheed Martin or Acquisition Sub.

SECTION 4.8. LITIGATION; COMPLIANCE WITH LAW.

(a) Except as set forth in Section 4.8(a) of the COMSAT Disclosure Schedule, as of the date hereof, there are no actions, suits, claims, proceedings or investigations pending or, to the knowledge of COMSAT, threatened, involving COMSAT or any of its Subsidiaries or any of their respective Assets (or any Person whose liability therefrom may have been retained or assumed by COMSAT or any of its Subsidiaries either contractually or by operation of law), by or before any court, Governmental Authority or by any other Person that, either individually or in the aggregate, if determined adversely to COMSAT or such Subsidiary, would reasonably be expected to have a Material Adverse Effect on COMSAT.

(b) Except as disclosed by COMSAT in COMSAT SEC Documents filed since January 1, 1998 (the "RECENT SEC DOCUMENTS") or as set forth in Section 4.8(b) of the COMSAT Disclosure Schedule, COMSAT and its Subsidiaries are now being and, to the knowledge of COMSAT, since January 1, 1994 have been operated in substantial compliance with all Laws, except for violations that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT.

SECTION 4.9. EMPLOYEE BENEFIT PLANS; ERISA.

(a) Except as set forth in Section 4.9(a) of the COMSAT 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 COMSAT 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 COMSAT 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 filings with Governmental Authorities) with all applicable Laws, including, without limitation, ERISA and the applicable provisions of 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 or the subject of IRS review under the IRS Employee Plans Compliance Resolution System and COMSAT knows of no fact or set of circumstances that is reasonably likely to adversely affect such qualification, (iii) no material withdrawal liability with respect to any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA) would be incurred by COMSAT and its ERISA Affiliates in the event of a withdrawal from such plan, (iv) no "reportable event", as such term is defined in Section 4043(c) of ERISA (for which the 30-day notice requirement to the Pension Benefit Guaranty Corporation ("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 knowledge of COMSAT, threatened claims (other than routine claims for benefits) by, on behalf of or against any of the Plans or any trusts related thereto. Set forth in Section 4.9(a) of the COMSAT Disclosure Schedule is a list of all Plans. A true and complete copy of each of the Plans and, if applicable, the summary plan description, any summary of material modifications, the most recent Form 5500, and the most recently issued IRS determination letter and actuarial report with respect to each of the Plans has previously been provided to Lockheed Martin and Acquisition Sub.

(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 COMSAT nor any ERISA Affiliate has incurred any Liability under Title IV of ERISA except for required premium payments to the PBGC, which payments have been made when due, and no events have occurred which are reasonably likely to give rise to any Liability of COMSAT or an ERISA Affiliate under Title IV of ERISA or which could reasonably be anticipated to result in any claims being made against Lockheed Martin or its affiliates by the PBGC, (iii) no amendment has been adopted which would require the posting of security in accordance with Section 401(a)(29) of the Code, and (iv) COMSAT 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 4001(a)(3) of ERISA) which has not been satisfied in full.

(c) Except as set forth in Section 4.9(c) of the COMSAT Disclosure Schedule, with respect to each Plan that is subject to Title IV of ERISA or that provides post-retirement life or medical insurance or other post-employment benefits (other than continuation coverage pursuant to Section 4980B(f) of the Code or Sections 601 to 606 of ERISA) (i) COMSAT has provided to Acquisition Sub a complete copy 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 COMSAT 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 Lien or the posting of a bond or other security under ERISA or the Code.

(e) Except as set forth in Section 4.9(e) of the COMSAT Disclosure Schedule or as expressly provided for in this Agreement, the consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former employee, officer or director of COMSAT or any Subsidiary to severance pay, unemployment compensation or any other payment, (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee, officer or director or (iii) violate any provision of any Plan document.

(f) Except as set forth in Section 4.9(f) of the COMSAT Disclosure Schedule, COMSAT has reserved the right to amend or terminate the Plans according to the terms of the Plans and with respect to any Plan that has been amended or terminated within the five year period preceding the date of this Agreement, such amendment or termination was permitted by the terms of the Plan.

SECTION 4.10. INTELLECTUAL PROPERTY; YEAR 2000.

(a) To the knowledge of COMSAT, COMSAT and its Subsidiaries do not now and have not in the past used Intellectual Property in the conduct of their respective businesses which conflicts with or infringes upon any proprietary rights of others except where such conflict or infringement, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT. For purposes of this Agreement, the term "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.

(b) As described in Section 4.10(b) of the COMSAT Disclosure Schedule, COMSAT has implemented a program that is designed to ensure that prior to December 31, 1999, all of the computer software programs, databases and compilations, computer firmware, computer hardware (whether general or special purpose), and other similar or related items of automated, computerized, and/or software system(s) that are to be used or relied on by

COMSAT or any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data, and will not provide incorrect results when processing, providing, and/or receiving date-related data into and between the twentieth and twenty-first centuries. The program includes consideration of the status of the major vendors and suppliers of COMSAT and its Subsidiaries and of the trustees of employee benefit plans as defined in ERISA Section 3(3) maintained or sponsored by COMSAT or its Subsidiaries with respect to this issue.

SECTION 4.11. CERTAIN CONTRACTS AND ARRANGEMENTS.

(a) COMSAT has delivered or otherwise made available (or will make available) to Lockheed Martin true, correct and complete copies of all contracts and agreements (and all amendments, modifications and supplements thereto and all side letters to which COMSAT is a party affecting the obligations of any party thereunder) to which COMSAT or any of its Subsidiaries is a party or by which any of their Assets are bound that are material to the business or Assets of COMSAT and its Subsidiaries taken as a whole, including, without limitation, all: (i) employment, consulting, non-competition, severance, golden parachute or indemnification contracts with past or present directors, officers or employees (including, without limitation, any contract to which COMSAT is a party involving employees of COMSAT); (ii) contracts granting a right of first refusal or first negotiation; (iii) partnership or joint venture agreements; (iv) agreements for the acquisition, sale or lease of material Assets of COMSAT (by merger, purchase or sale of Assets or stock or otherwise); (v) contracts or agreements with any Governmental Authority or INTELSAT or Inmarsat; (vi) contracts or arrangements limiting or restraining COMSAT, any of COMSAT's Subsidiaries or any successor thereto from engaging or competing in any business; and (vii) all commitments and agreements to enter into any of the foregoing (collectively, the "COMSAT CONTRACTS").

(b) Except as set forth in Section 4.11(b) of the COMSAT Disclosure Schedule:

(i) to the knowledge of COMSAT, there is no default under any COMSAT Contract either by COMSAT or any of its Subsidiaries or, by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by COMSAT or any of its Subsidiaries or, to the knowledge of COMSAT, any other party, except for defaults or events that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT; and

(ii) no party to any such COMSAT Contract has given notice to COMSAT of or made a claim against COMSAT with respect to any breach or default thereunder, except for defaults or breaches that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT.

(c) Section 4.11(c) of the COMSAT Disclosure Schedule sets forth a list of each material contract to which COMSAT or any of its Subsidiaries is a party or may be bound and under the terms of which any of the rights or obligations of COMSAT or its Subsidiaries will be modified or altered (including, without limitation, any acceleration of rights or obligations thereunder pursuant to the terms of any such contract, agreement or arrangement) as a result of the transactions contemplated by this Agreement.

SECTION 4.12. TAXES. Except as otherwise disclosed in Section 4.12 of the COMSAT Disclosure Schedule and except for those matters which, either individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on COMSAT:

(a) COMSAT and each of its Subsidiaries have filed (or have had filed on their behalf) all Tax Returns required by applicable Law to be filed by any of them;

(b) COMSAT and each of its Subsidiaries have paid (or have had paid on their behalf) all Taxes due, and have established (or have had established on their behalf and for their sole benefit and recourse) an adequate accrual (in accordance with GAAP) for the payment of all other Taxes;

(c) there are no Liens for any Taxes upon the Assets of COMSAT or any of its Subsidiaries, 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 is pending with respect to any Taxes due from COMSAT or any Subsidiary. There are no outstanding waivers extending the statutory period of limitation relating to the payment of Taxes due from COMSAT 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 COMSAT nor any of its Subsidiaries 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;

(f) neither COMSAT 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 COMSAT and each of its Subsidiaries for all years through 1993 have expired for all federal, California, Maryland and Connecticut Tax purposes, or such Tax Returns have been subject to a final Audit;

(h) neither COMSAT nor any of its Subsidiaries has received any written notice of deficiency, assessment or adjustment from the IRS or any other Governmental Authority responsible for the administration of any Taxes 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 COMSAT's financial statements therefor. To the knowledge of COMSAT, there are no indications of any other deficiencies, assessments or adjustments with respect to COMSAT or any of its Subsidiaries; and

(i) neither COMSAT 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 Agreement, capitalized terms have the following meaning:

(i) "AUDIT" means any audit, assessment or other examination of Taxes or Tax Returns by the IRS or any other Governmental Authority responsible for the administration of any Taxes, proceeding or appeal of such proceeding relating to Taxes.

(ii) "TAXES" means 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.

(iii) "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 4.13. GOVERNMENTAL AUTHORIZATIONS. Each of COMSAT and its Subsidiaries is in possession of all licenses, permits, franchises, certificates, consents, approvals and other authorizations from appropriate Governmental Authorities (including the FCC) necessary for COMSAT or any of its Subsidiaries to own, lease and operate its properties or to carry on their respective businesses as they are now being conducted ("GOVERNMENTAL AUTHORIZATIONS"), and all such Governmental Authorizations are valid and in full force and effect, except where the failure to have any of the Governmental Authorizations, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT. No suspension or termination of any material Governmental Authorization is pending or, to the knowledge of COMSAT, threatened, except for suspensions or terminations which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT and except as set forth in Section 4.13 of the COMSAT Disclosure Schedule. Neither COMSAT nor any of its Subsidiaries is in conflict with, or in default or violation of, any material Governmental Authorization except for conflicts, defaults, or violations which, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT.

SECTION 4.14. ENVIRONMENTAL MATTERS. Except as set forth in Section 4.14 of the COMSAT Disclosure Schedule, COMSAT and each of its Subsidiaries are in material compliance with all applicable federal, state and local Laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) (collectively, "ENVIRONMENTAL LAWS"), except for instances of noncompliance that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT. Such compliance includes, but is not limited to, the possession by COMSAT and its Subsidiaries of all material permits and other Governmental Authorizations required under applicable Environmental Laws, and compliance with the terms and conditions thereof. Except as set forth in Section 4.14 of the COMSAT Disclosure Schedule, neither COMSAT nor any of its Subsidiaries has received written notice of, or to the knowledge of COMSAT, is the subject of, any actions, causes of action, claims, investigations, demands or notices by any Person alleging liability under or noncompliance with any Environmental Law ("ENVIRONMENTAL CLAIMS") that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on COMSAT. To the knowledge of COMSAT, there are no circumstances that are reasonably likely to prevent or interfere with such material compliance in the future.

SECTION 4.15. BROKERAGE FEES AND COMMISSIONS. Except for Donaldson, Lufkin & Jenrette Securities Corporation, no Person is entitled to receive from COMSAT or any of its Subsidiaries any investment banking, brokerage or finder's fee or fees for financial consulting or advisory services in connection with this Agreement or any of the transactions contemplated hereby.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF LOCKHEED MARTIN AND ACQUISITION SUB

Lockheed Martin and Acquisition Sub represent and warrant to COMSAT as follows:

SECTION 5.1. ORGANIZATION. Each of Lockheed Martin, Acquisition Sub and Offer Subsidiary is a corporation or limited liability company, as the case may be, duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or formation, as the case may be, and has all requisite corporate or limited liability company power and authority, as the case may be, 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, reasonably be expected to have a Material Adverse Effect on Lockheed Martin.

SECTION 5.2. AUTHORITY. Each of Lockheed Martin, Acquisition Sub and Offer Subsidiary has full corporate or limited liability company power and authority, as the case may

be, to execute and deliver each Transaction Agreement to which it is a party and to consummate the transactions contemplated thereby. The execution and delivery of each such Transaction Agreement and the consummation of the transactions contemplated thereby have been duly and validly authorized by the Boards of Directors of Lockheed Martin or Acquisition Sub, as the case may be, and by Lockheed Martin as the sole member of Offer Subsidiary and the sole stockholder of Acquisition Sub; and no other corporate or limited liability company proceedings on the part of Lockheed Martin, Acquisition Sub or Offer Subsidiary, as the case may be, are necessary to authorize any such Transaction Agreement or to consummate the transactions contemplated thereby. This Agreement and each such other Transaction Agreement has been duly and validly executed and delivered by Lockheed Martin, Acquisition Sub or Offer Subsidiary, as the case may be, and constitutes the valid and binding agreement of Lockheed Martin, Acquisition Sub or Offer Subsidiary, as the case may be, (and assuming due and valid authorization, execution and delivery thereof by the other parties thereto) enforceable against Lockheed Martin, Acquisition Sub or Offer Subsidiary, as the case may be, in accordance with its 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 any applicable requirements of the Securities Act, the Exchange Act, Antitrust Laws, the Communications Act, the Satellite Act, the NYSE, the filing and recordation of articles and/or a certificate of merger with respect to the Merger as required by the DCBCA and the DGCL, respectively, 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, or as contemplated by Section 6.19 hereof or otherwise by this Agreement, neither the execution and delivery of this Agreement or the Carrier Acquisition Agreement by Lockheed Martin, Acquisition Sub or Offer Subsidiary, as the case may be, nor the consummation by Lockheed Martin, Acquisition Sub or Offer Subsidiary, as the case may be, of any transaction contemplated hereby and thereby will (i) conflict with or result in any breach of any provision of the charter or by-laws of Lockheed Martin or Acquisition Sub, or the limited liability company agreement or certificate of formation of Offer Subsidiary, as the case may be, (ii) require on the part of Lockheed Martin, Acquisition Sub or Offer Subsidiary any filing with, or the obtaining of any permit, authorization, consent or approval of, any Governmental Authority or any other Person, (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) 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 Lockheed Martin or any of its Subsidiaries is a party or by which any of them or any of their Assets may be bound, or (iv) violate any Law applicable to Lockheed Martin or any of its Subsidiaries or any of their Assets, except for such requirements, defaults, rights or violations under clauses (ii), (iii) and (iv) above that would not reasonably be expected to have a Material Adverse Effect on Lockheed Martin.

SECTION 5.4. CAPITALIZATION.

(a) As of the close of business on September 11, 1998, the authorized capital stock of Lockheed Martin consisted of (i) 1,500,000,000 shares of Lockheed Martin Common Stock, of which 195,848,551 shares were issued and outstanding, (ii) 50,000,000 shares of Series Preferred Stock, par value $1.00 per share of which no shares were issued and outstanding ("LOCKHEED MARTIN SERIES PREFERRED STOCK") and (iii) 20,000,000 shares of Series A preferred stock, par value $1.00 per share ("LOCKHEED MARTIN PREFERRED STOCK"), of which no shares of any class or series were issued and outstanding. As of the close of business on September 11, 1998, 12,023,408 shares of Lockheed Martin Common Stock were issuable upon the exercise of outstanding vested and non-vested options and other rights to acquire shares of Lockheed Martin Common Stock ("LOCKHEED MARTIN STOCK OPTIONS") granted under any stock option plan, program, employee stock purchase plan, employment agreement or similar arrangement of Lockheed Martin or any Subsidiaries, each as amended (the "LOCKHEED MARTIN STOCK PLANS").

(b) All outstanding shares of capital stock of Lockheed Martin are, and all shares of Lockheed Martin Common Stock issuable pursuant to this Agreement when issued, will be, duly authorized, validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(c) Except with respect to the outstanding shares of Lockheed Martin Common Stock and the Lockheed Martin Stock Options, there are no outstanding bonds, debentures, notes or other indebtedness or other securities of Lockheed Martin having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of Lockheed Martin may vote.

(d) Except with respect to the Lockheed Martin Stock Options, there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Lockheed Martin or any of its Subsidiaries is a party or by which any them is bound obligating Lockheed Martin or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other Equity Securities of Lockheed Martin or any of its Subsidiaries or obligating Lockheed Martin or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking.

SECTION 5.5. ABSENCE OF CERTAIN CHANGES. Except (i) as set forth in Lockheed Martin's Annual Report on Form 10-K for the year ended December 31, 1997 (the "LOCKHEED MARTIN FORM 10-K"), Lockheed Martin's Quarterly Reports on Form 10-Q for the three month periods ended March 31, 1998 and June 30, 1998, respectively, or any other document filed prior to the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act, or (ii) as contemplated by this Agreement, from June 30, 1998 until the date hereof, neither Lockheed Martin nor any of its Subsidiaries has suffered any changes that, either individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Lockheed Martin.

SECTION 5.6. REPORTS. For the purposes of this Agreement, the "LOCKHEED MARTIN SEC DOCUMENTS" means each registration statement, report, proxy statement or information statement of Lockheed Martin prepared by it since January 1, 1996, in the form (including exhibits and any amendments thereto) filed with the SEC. As of the respective filing dates, the Lockheed Martin SEC Documents (i) complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Lockheed Martin SEC Documents (including the related notes and schedules) fairly presents the consolidated financial position of Lockheed Martin and its Subsidiaries as of its date, and each of the consolidated statements of income, retained earnings and cash flows included in or incorporated by reference into the Lockheed Martin SEC Documents (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of Lockheed Martin and its Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with GAAP consistently applied during the periods involved, except as may be noted therein. None of Lockheed Martin and its Subsidiaries has any Liabilities required to be disclosed in a balance sheet of Lockheed Martin or in the notes thereto prepared in accordance with GAAP consistently applied except (a) Liabilities reflected on, or reserved against in, a balance sheet of Lockheed Martin or in the notes thereto, and included in the Lockheed Martin SEC Documents and (b) Liabilities incurred since June 30, 1998 in the ordinary course of business.

SECTION 5.7. OPINION OF FINANCIAL ADVISOR. Bear, Stearns & Co. Inc. has delivered to the Board of Directors of Lockheed Martin its opinion that, as of the date hereof, the terms of this Agreement are fair to the holders of Lockheed Martin Common Stock from a financial point of view.

SECTION 5.8. BROKERS. Except for Bear, Stearns & Co. Inc., no Person is entitled to receive from Lockheed Martin or any of its Subsidiaries any investment banking, brokerage or finder's fee or fees for financial consulting or advisory services in connection with this Agreement or the transactions contemplated hereby.

ARTICLE VI

COVENANTS

SECTION 6.1. CONDUCT OF BUSINESS OF COMSAT. Except (i) as contemplated by this Agreement, (ii) as set forth in Section 6.1A of the COMSAT Disclosure Schedule, or (iii) as otherwise permitted by Sections 6.1(a)-(q) of this Agreement, during the period from the date of this Agreement to the Effective Time, unless Lockheed Martin has consented thereto in writing (which consent shall not be unreasonably withheld or delayed), COMSAT shall, and shall cause each of its Subsidiaries to, (x) conduct its operations in the ordinary course, (y) use

commercially reasonable efforts to preserve intact its business organization and goodwill and maintain satisfactory relationships with those Persons having business relationships with them, and (z) use commercially reasonable efforts to keep available the services of its officers and employees. Without limiting the generality of and in addition to the foregoing, and except as otherwise contemplated by this Agreement or as set forth in Section 6.1A of the COMSAT Disclosure Schedule, prior to the time specified in the preceding sentence, unless Lockheed Martin has consented thereto in writing (which consent shall not be unreasonably withheld or delayed), COMSAT and its Subsidiaries:

(a) except as required to give effect to changes in Law, shall not amend their respective articles of incorporation or by-laws or other comparable governing instruments in a manner that would adversely affect the consummation of the transactions contemplated by, or otherwise adversely affect the rights of Lockheed Martin or its Subsidiaries under, any Transaction Agreement;

(b) except as set forth in Section 6.1(b) of the COMSAT Disclosure Schedule, shall not, and shall not permit any of its Subsidiaries to, issue any shares of their capital stock or Equity Securities (except by COMSAT as permitted by this Agreement, in connection with the COMSAT Stock Options that are outstanding on the date of this Agreement or which may hereafter be granted as permitted by this Agreement under COMSAT Stock Plans or shares of COMSAT Common Stock pursuant to nondiscretionary grants under the current terms of any existing Plan), or grant, confer or award any options, appreciation rights, warrants, conversion rights, restricted stock, stock units, performance shares or other rights, not existing on the date hereof, with respect to any shares of its capital stock or other Equity Securities of COMSAT or its Subsidiaries except that, during the twelve-month period beginning upon the date hereof and ending on the first anniversary hereof and during each subsequent twelve-month period ending upon subsequent anniversaries hereof, COMSAT may grant COMSAT Stock Options to acquire up to the number of shares of COMSAT Common Stock as is equal to 1.5% of the number of issued and outstanding shares of COMSAT Common Stock as of the end of the preceding fiscal year pursuant to the continued operation of the COMSAT Stock Plans, and up to 200,000 shares of COMSAT Common Stock during each calendar year beginning after the date of this Agreement pursuant to the continued operation of the COMSAT Employee Stock Purchase Plan, all in the ordinary course of business and consistent with past practice, or effect any stock split or otherwise change its capitalization;

(c) except as set forth in Section 6.1(c) of the COMSAT Disclosure Schedule, shall not, and shall not permit any of its Subsidiaries to, (i) declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock or other ownership interests (other than regular quarterly cash dividends not to exceed $0.05 per share of COMSAT Common Stock and dividends and distributions from Subsidiaries of COMSAT to COMSAT or another of its Subsidiaries) or (ii) directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock or capital stock of any of its Subsidiaries, or make any commitment for any such action;

(d) shall not pledge or otherwise encumber shares of capital stock of COMSAT or any of its Subsidiaries;

(e) except (i) as disclosed in Section 6.1(e) of the COMSAT Disclosure Schedule, (ii) as required by Law (including any amendment required to maintain the qualification of any Plan intended to be "qualified" under Section 401(a) of the Code) or (iii) as contemplated by this Agreement, shall not (A) except in the ordinary course of business and consistent with past practice, enter into or amend any employment or similar agreements or arrangements with any of its directors or executive officers, (B) amend or otherwise change the terms of the Plans in any manner which would constitute a material change in Plan design or materially increase the cost of a Plan, including, without limitation, amend any employment, severance or similar agreements or arrangements in existence on the date hereof, (C) adopt any new Plans, programs or arrangements or any severance or similar agreements or arrangements, or (D) except in the ordinary course of business and consistent with past practice, increase any compensation, bonus or other benefits payable to any current or former director or executive officer;

(f) except as set forth in Section 6.1(f) of the COMSAT Disclosure Schedule, shall not transfer, sell, lease, license or dispose of any material lines of business, Subsidiaries, divisions, operating units or facilities (other than facilities currently closed or currently proposed to be closed) outside the ordinary course of business or enter into any material commitment or transaction outside the ordinary course of business;

(g) except as set forth in Section 6.1(g) of the COMSAT Disclosure Schedule, shall not, and shall not permit any of its Subsidiaries to, authorize, propose or announce an intention to authorize or propose to another Person, or enter into an agreement with respect to, any merger, consolidation or business combination, any acquisition of Assets or Equity Securities (other than the purchase of Assets in the ordinary course of business), any disposition of Assets or Equity Securities (other than the disposition of Assets or Equity Securities in the ordinary course of business) or any release or relinquishment of any contract rights in which, in any such case, the aggregate consideration is in excess of $5 million for any individual transaction or $20 million for all of such transactions in any one year period or which would materially adversely affect the ability of COMSAT or any of its Subsidiaries to consummate any of the transactions contemplated by this Agreement. For purposes of this Section 6.1(g), Section 6.1(i), Section 6.1(j)(ii) and Section 6.1(l) only, any actions taken by COMSAT to preserve substantially (or to increase or decrease such interest by no more than 2.0% in any fiscal year) its existing ownership interest in INTELSAT or Inmarsat in connection with (A) annual share redeterminations and adjustments or (B) pursuant to capital calls approved by the governing bodies of INTELSAT or Inmarsat in accordance with their charter documents, shall be deemed to be in the ordinary course of COMSAT's business;

(h) except as set forth in Section 6.1(h) of the COMSAT Disclosure Schedule, shall not make any material Tax election other than in the ordinary course of business and consistent with past practice, or settle or compromise any Tax Liability in excess of $3 million arising from or in connection with any single issue;

(i) shall not make or agree to make any capital expenditures other than (i) expenditures in the ordinary course of business, (ii) capital expenditures that are consistent with COMSAT's strategic business plans (the "COMSAT BUSINESS PLANS") and (iii) additional capital expenditures not in excess of $5 million;

(j) except as set forth in Section 6.1(j) of the COMSAT Disclosure Schedule, except in the ordinary course of business and except as consistent with the COMSAT Business Plans, shall not, and shall not permit any of its Subsidiaries to, (i) incur, create, assume or otherwise become liable for borrowed money or assume, guarantee, endorse or otherwise become responsible or liable for the obligations of any other Person (other than COMSAT and its Subsidiaries) in excess of $5 million per occurrence and $20 million in the aggregate or (ii) make any loans or advances to any other Person (other than COMSAT and its Subsidiaries) in excess of $5 million per occurrence and $20 million in the aggregate;

(k) except as set forth in Section 6.1(k) of the COMSAT Disclosure Schedule, or as required by Law or GAAP, shall not effect any material change in any of its methods of accounting in effect as of December 31, 1997;

(l) except as provided in the Shareholders Agreement, shall not impose limitations not already in existence on the date hereof, not imposed on other shareholders of COMSAT, on the enjoyment by any of Lockheed Martin and its Subsidiaries of the legal rights generally enjoyed by shareholders of COMSAT;

(m) except as set forth in Section 6.1(m) of the COMSAT Disclosure Schedule, shall not pay, discharge or satisfy any material Liabilities, other than the payment, discharge or satisfaction of any such Liability (i) reflected or reserved against in, or contemplated by, the financial statements (or the notes thereto) of COMSAT and its Subsidiaries, (ii) incurred in the ordinary course of business or (iii) which is legally required to be paid, discharged or satisfied;

(n) shall not adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of COMSAT or any plan of merger or consolidation of any of its Subsidiaries in which such Subsidiary is not the surviving entity;

(o) shall not, and shall not permit any of its Subsidiaries to take any action which would make any representation or warranty of COMSAT contained herein untrue or incorrect in any material respect as of the Effective Time;

(p) shall not fail to take reasonable efforts to cause the Merger to constitute a reorganization within the meaning of Section 368(a) of the Code; and

(q) shall not enter into a legally binding commitment with respect to, or any agreement to take, any of the foregoing actions.

SECTION 6.2. INTELSAT AND INMARSAT PRIVATIZATIONS. Any actions taken pursuant to U.S. Government instruction and any actions taken in good faith by COMSAT or its Subsidiaries in connection with the planned privatizations of INTELSAT or Inmarsat shall not be considered a breach of the first sentence of Section 6.1 hereof or, to the extent applicable, of subsections 6.1(f), (g), (h), (i), (j), (k) or (m) discharge of liabilities. Notwithstanding the foregoing, other than as provided in Section 6.1A of the COMSAT Disclosure Schedule or pursuant to the Existing INTELSAT Documents, the Existing Inmarsat Documents, the Inmarsat Restructuring Documents or the New Skies Documents, COMSAT shall not:

(a) sell, transfer, assign or dispose of or agree to sell, transfer, assign or dispose of the INTELSAT Interests or the Inmarsat Interests (including, without limitation, by entering into any options with respect thereto);

(b) enter into any voting rights, proxy or other agreement with respect to the voting of any of the INTELSAT Interests or the Inmarsat Interests that would be binding on Lockheed Martin, COMSAT or their respective Subsidiaries following the Merger;

(c) enter into any lock-up, standstill or other similar agreement (a "LOCK-UP AGREEMENT") with respect to the INTELSAT Interests or the Inmarsat Interests that would be binding on Lockheed Martin, COMSAT or their respective Subsidiaries following the Merger; provided that COMSAT or its Subsidiaries may enter into a Lock-Up Agreement in connection with an initial public offering by INTELSAT, Inmarsat or New Skies Satellites, N.V., on terms that are usual and customary to those entered into by directors, affiliates or significant shareholders in similar transactions; or

(d) take any other action or omit to take any action (including by way of votes in the INTELSAT Board of Governors or Meeting of Signatories, or the Inmarsat Council, in either case except to the extent instructed to the contrary by the United States Government, pursuant to the Satellite Act) which would reasonably be expected to materially impair the economic value of or any of the rights associated with the INTELSAT Interests or the Inmarsat Interests; provided, that COMSAT shall not be required to force a
----
vote to be held on a matter in any of the foregoing bodies where consistent with past practice such decision would be decided by consensus rather than a vote.

(e) For purposes of this Agreement, capitalized terms have the following meaning:

(i) "ICO" shall mean ICO Global Communications (Holdings) Limited.

(ii) "INMARSAT CONVENTION" shall mean the Convention on the International Maritime Satellite Organization (Inmarsat) which entered into force on July 16, 1979, last amended by amendments thereto which entered into force on June 26, 1997.

(iii) "INMARSAT EXISTING DOCUMENTS" shall mean the Inmarsat Convention, the Operating Agreement on Inmarsat which entered into force on July 16, 1979, as last amended by amendments thereto which entered into force on June 26, 1997, the Headquarters Agreement Between Inmarsat and the government of the United Kingdom, Great Britain and Northern Ireland which entered into force on February 25, 1980, and all existing policies and procedures approved by the Inmarsat Council pursuant to the foregoing.

(iv) "INMARSAT INTERESTS" shall mean the Inmarsat Investment Share owned by COMSAT (or all of the shares of Inmarsat PLC received by COMSAT in lieu thereof pursuant to the Inmarsat Privatization) and all rights and obligations associated therewith, including, prior to the Inmarsat Privatization, COMSAT's rights as an Inmarsat Signatory (as defined in the Inmarsat Convention).

(v) "INMARSAT INVESTMENT SHARE" shall mean an investment share described in the Inmarsat Operating Agreement.

(vi) "INMARSAT PRIVATIZATION" shall mean the restructuring of Inmarsat contemplated by the Inmarsat Restructuring Documents.

(vii) "INMARSAT RESTRUCTURING DOCUMENTS" shall mean, in each case substantially in the form of the draft made available by the General Counsel to the Inmarsat parties as of August 26, 1998, the Master Transition Agreement, to be entered into between Inmarsat and Inmarsat PLC, together with (a) the following documents that are defined in such Master Transition Agreement: the Business Transfer Agreement, the LESO Agreement, the License Agreement, the New Memorandum and Articles of Association, the Public Services Agreement, the Shareholders' Agreement and the Trust Deeds and (b) the Memoranda and Articles of Association of Inmarsat One Limited, Inmarsat Two Company, Inmarsat Three Limited and Inmarsat Limited and each as subsequently amended in accordance with the decisions of the Inmarsat Council.

(viii) "INTELSAT EXISTING DOCUMENTS" shall mean the Agreement Relating to the International Telecommunications Satellite Organization (INTELSAT) (the "INTELSAT AGREEMENT") which entered into force on February 12, 1973, the Operating Agreement Relating to the International Telecommunications Satellite Organization (INTELSAT) (the "INTELSAT OPERATING AGREEMENT") which entered into force on February 12, 1973, and the Headquarters Agreement between the Government of the United States of America and INTELSAT which entered into force on November 24, 1976, and all existing policies and procedures approved by the INTELSAT Board of Governors pursuant to the foregoing.

(ix) "INTELSAT INTERESTS" shall mean the INTELSAT Investment Share owned by COMSAT, any ownership or other interests received by COMSAT relating to any entity created pursuant to any partial or full privatization of INTELSAT (including New Skies Satellites, N.V.), any ownership or other interests received by COMSAT relating to any other entity created pursuant to the full or partial privatization of INTELSAT, and in each case all rights and obligations associated therewith, including, prior to the full privatization of INTELSAT, COMSAT's rights as an INTELSAT Signatory (as defined in the INTELSAT Agreement).

(x) "INTELSAT INVESTMENT SHARE" shall mean an investment share described in the INTELSAT Operating Agreement.

(xi) "NEW SKIES DOCUMENTS" shall mean, in each case, in substantially the same form of the draft contained in the Report of the New INTELSAT 2000 Working Part to the Twenty-Second Assembly of Parties, AP-22-7E S/3/98, 24 February 1998; the Draft Trust Agreement, the Ensured Capacity Rights (ECR) Contract, the Draft Satellite Operational Services Contract, the Draft Transition Services Agreement, the Draft INC Subscription Agreement, the INC Articles of Association, the Leaseback Equalization Arrangements/Transponder Leasing Agreement, along with the Record of Decisions of the Twenty-Second (Extraordinary) Meeting of the INTELSAT Assembly of Parties, AP-22-3E FINAL S/3/98, 30-31 March 1998 and each as subsequently amended in accordance with the decisions of the INTELSAT Assembly of Parties.

SECTION 6.3. CONDUCT OF BUSINESS OF LOCKHEED MARTIN. Except as otherwise contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, unless COMSAT has consented thereto in writing (which consent shall not be unreasonably withheld or delayed), Lockheed Martin shall not and shall cause each of its Subsidiaries not to:

(a) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of Lockheed Martin;

(b) take any action which would make any representation or warranty of Lockheed Martin contained herein untrue or incorrect as of the Effective Time;

(c) fail to take reasonable efforts to cause the Merger to constitute a reorganization within the meaning of Section 368(a) of the Code; and

(d) enter into a legally binding commitment with respect to, or any agreement to take, any of the foregoing actions.

SECTION 6.4. NO SOLICITATION.

(a) COMSAT shall, and shall cause its Subsidiaries and their respective officers, directors, employees, consultants, investment bankers, accountants, attorneys and other advisors, representatives and agents (collectively, "COMSAT REPRESENTATIVES") to immediately cease any discussions or negotiations with any Person that may be ongoing with respect to any Acquisition Proposal (as defined below). COMSAT shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any COMSAT Representative to, directly or indirectly, (i) solicit or initiate, or knowingly encourage the submission of, any Acquisition Proposal or (ii) participate in any discussions or negotiations regarding, or furnish to any Person (other than Lockheed Martin or its representatives or affiliates) any information, that may reasonably be expected to lead to, an Acquisition Proposal; provided, however, that if, prior
-------- -------
to the COMSAT Shareholders Meeting, the Board of Directors of COMSAT determines in good faith, based upon advice of independent counsel, that it is necessary to do so in order to comply with its fiduciary duties to COMSAT's shareholders under applicable Law, the Board of Directors of COMSAT may permit COMSAT in response to an Acquisition Proposal that was not solicited by COMSAT or its officers, directors or employees (x) to furnish information (including any non-public information) with respect to COMSAT (including its Subsidiaries) and afford access to its properties, books and records pursuant to a confidentiality agreement designed to reasonably protect the confidentiality of such information, and (y) to participate in discussions or negotiations regarding such Acquisition Proposal. For purposes of this Agreement, the term "ACQUISITION PROPOSAL" means any proposal or offer from any Person (other than Lockheed Martin or its representatives or affiliates) to acquire, directly or indirectly, in one or more transactions, Assets (including, without limitation, the capital stock of Subsidiaries) of COMSAT or any of its Subsidiaries having an aggregate value equal to more than 10% of the market capitalization of COMSAT, any tender offer or exchange offer that if consummated would result in any Person beneficially owning more than 10% of any class of Equity Securities of COMSAT, any merger, consolidation, business combination, sale of all or substantially all the Assets, recapitalization, liquidation, dissolution or similar transaction involving COMSAT, other than the transactions contemplated by this Agreement; provided that no transaction specified in Section 6.1A of the
                ----
COMSAT Disclosure Schedule shall be deemed to be an Acquisition Proposal.

(b) Except as set forth in this Section 6.4, neither the Board of Directors of COMSAT nor any committee thereof shall (i) withdraw, modify or materially qualify (or publicly propose to withdraw, modify or materially qualify) its approval or recommendation of the Offer, the Merger or this Agreement, (ii) approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal or (iii) enter, or publicly propose to enter, into any agreement with respect to any Acquisition Proposal. Notwithstanding the foregoing, in the event that, prior to the COMSAT Shareholders Meeting, the Board of Directors of COMSAT determines in good faith, based upon advice of independent counsel, that it is necessary to do so in order to comply with its fiduciary duties to COMSAT's shareholders under applicable Law, the Board of Directors of COMSAT may terminate this Agreement pursuant to Section 7.1(d)(ii) hereof solely in order to concurrently enter into a definitive agreement to effect a Superior Proposal. For purposes of this Agreement, the term "SUPERIOR PROPOSAL" means any bona fide

proposal or offer from one or more Persons (other than Lockheed Martin and its affiliates) to acquire, directly or indirectly, in one or more transactions for consideration consisting of cash and/or securities, more than 50% of the shares of COMSAT Common Stock then outstanding or all or substantially all the Assets of COMSAT and its Subsidiaries taken as a whole, and otherwise on terms which the Board of Directors of COMSAT determines in its good faith judgment (based on the advice of a financial advisor of nationally recognized reputation) to be more favorable to the holders of COMSAT Common Stock than are the Offer and the Merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of the Board of Directors of COMSAT (based on the advice of a financial advisor of nationally recognized reputation), is reasonably capable of being financed by such Person.

(c) In addition to the obligations of COMSAT set forth in paragraphs (a) and (b) of this Section 6.4, COMSAT shall promptly advise Lockheed Martin orally and in writing of COMSAT's receipt of any Acquisition Proposal, any request for information or an inquiry that could lead to or is otherwise related to any Acquisition Proposal, the identity of the Person making such request or Acquisition Proposal and the material terms of any such Acquisition Proposal. COMSAT shall keep Lockheed Martin fully informed of the status and terms (including amendments) of any such request or Acquisition Proposal, unless the Board of Directors determines in good faith, based upon advice of independent counsel, that it is necessary not to do so in order to comply with its fiduciary duties to COMSAT's shareholders under applicable Law.

(d) Nothing contained in this Section 6.4 shall prohibit COMSAT from taking and disclosing to its shareholders a position contemplated by Rule 14e-2(a) promulgated under the Exchange Act or issuing a communication meeting the requirements of Rule 14d-9(e) promulgated under the Exchange Act; provided, --------
however, neither COMSAT nor its Board of Directors nor any committee thereof - - -------
shall, except as permitted by Section 6.4(b) hereof, withdraw, modify or materially qualify, or publicly propose to withdraw, modify or materially qualify, its position with respect to the Offer, the Merger or this Agreement or to approve or recommend, or publicly propose to approve or recommend, an Acquisition Proposal.

SECTION 6.5. PREPARATION OF PROXY STATEMENT; COMSAT SHAREHOLDERS MEETING.

(a) As promptly as practicable following the date hereof, Lockheed Martin shall, in cooperation with COMSAT, prepare and file with the SEC preliminary proxy materials which shall constitute the Proxy Statement/Prospectus in connection with the Merger (such proxy statement/prospectus, and any amendments or supplements thereto, the "PROXY STATEMENT/PROSPECTUS") and a registration statement on Form S-4 with respect to the issuance of Lockheed Martin Common Stock in the Merger (the "FORM S-4"), together with any other materials required to be filed with the SEC in connection with the Merger. The Proxy Statement/Prospectus will be included in the Form S-4 as Lockheed Martin's prospectus. The Form S-4 and the Proxy Statement/Prospectus shall comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act. Each of Lockheed Martin and COMSAT shall use all reasonable efforts to have the Form S-4 cleared by the SEC as promptly as practicable after filing with the SEC and to keep the Form S-4 effective as long

as is necessary to consummate the Merger. Lockheed Martin shall, as promptly as practicable after receipt thereof, provide copies of any written comments received from the SEC with respect to the Proxy Statement/Prospectus to COMSAT and advise COMSAT of any oral comments with respect to the Proxy Statement/Prospectus received from the SEC. None of the information supplied or to be supplied by Lockheed Martin in writing specifically for inclusion or incorporation by reference in the Proxy Statement/Prospectus and each amendment or supplement thereto, at the time of mailing thereof and at the time of the COMSAT Shareholders Meeting, will contain 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, in light of the circumstances under which they were made, not misleading. None of the information supplied or to be supplied by COMSAT in writing specifically for inclusion or incorporation by reference in the Proxy Statement/Prospectus and each amendment or supplement thereto, at the time of mailing thereof and at the time of the COMSAT Shareholders Meeting, will contain 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, in light of the circumstances under which they were made, not misleading. Lockheed Martin shall advise COMSAT in writing, promptly after it receives notice thereof, of the time when the Form S-4 has become effective or any supplement or amendment thereto has been filed, the issuance of any stop order, the suspension of the qualification of the Lockheed Martin Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Proxy Statement/Prospectus or the Form S-4 or comments thereon and responses thereto or requests by the SEC for additional information. Lockheed Martin shall provide COMSAT with a reasonable opportunity to review and comment on any amendment or supplement to the Proxy Statement/Prospectus prior to filing such with the SEC, and shall provide COMSAT with a copy of all such filings made with the SEC. No amendment or supplement to the information supplied by COMSAT for inclusion in the Proxy Statement/Prospectus shall be made without the approval of COMSAT, which approval shall not be unreasonably withheld or delayed.

(b) Subject to Sections 6.4 and 7.1(d)(ii) hereof, COMSAT shall, at such time as determined by Lockheed Martin after consultation with COMSAT, duly call, give notice of, convene, hold, postpone, adjourn and reconvene a meeting or meetings of its shareholders (the "COMSAT SHAREHOLDERS MEETING") for the purpose of considering and taking action with respect to the Merger and this Agreement, shall take reasonable efforts to solicit the adoption of this Agreement by its shareholders (including, but not limited to, employing the services of a proxy solicitation firm), and the Board of Directors of COMSAT shall recommend adoption of the Merger and this Agreement by the shareholders of COMSAT. Without limiting the generality of the foregoing but subject to its rights pursuant to Sections 6.4 and 7.1(d)(ii) hereof, the obligations of COMSAT to duly call, give notice of, convene, hold, postpone, adjourn and reconvene the COMSAT Shareholders Meeting pursuant to the first sentence of this Section 6.5(b) shall not be affected by the commencement, public proposal, public disclosure or communication to COMSAT of any Acquisition Proposal.

SECTION 6.6. 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 contracts of COMSAT and its Subsidiaries, COMSAT shall give Lockheed Martin, Acquisition Sub and their authorized representatives reasonable access to all offices and other facilities and to all books and records of it and its Subsidiaries and to employees of COMSAT and its Subsidiaries, and will permit Lockheed Martin, Acquisition Sub or their authorized representatives, as the case may be, to make such inspections as it or they may reasonably require, and shall cause its officers and those of its Subsidiaries to furnish Lockheed Martin, Acquisition Sub and their authorized representatives with such financial and operating data and other information with respect to any of COMSAT and its Subsidiaries as Lockheed Martin, Acquisition Sub or their authorized representatives, as the case may be, may from time to time reasonably request;

provided that to the extent that access, disclosure or copying of any of the
- - --------
foregoing is limited by applicable Law or contract, COMSAT shall take reasonable efforts to provide a summary of such information to Lockheed Martin within the limits of applicable Law or contract. Lockheed Martin, Acquisition Sub and their authorized representatives shall conduct all such inspections in a manner which shall minimize any disruptions of the business and operations of COMSAT and its Subsidiaries.

(b) Lockheed Martin, Acquisition Sub and COMSAT agree that each of the Confidentiality Agreements (as hereinafter defined), other than Sections 3 and 7 thereof, shall remain binding and in full force and effect.

SECTION 6.7. REASONABLE EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by this Agreement (including, without limitation, (i) cooperating in the preparation and filing of the Offer Documents, the Schedule 14D-9, the Proxy Statement/Prospectus, the Form S-4 and any amendments to any thereof, (ii) taking of all action reasonably necessary, proper or advisable to secure any necessary consents or waivers under existing debt obligations of COMSAT 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, (iii) contesting any pending legal proceeding relating to any transaction contemplated by this Agreement and (iv) executing any additional instruments necessary to consummate the transactions contemplated hereby). In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement or the Carrier Acquisition Agreement, the proper officers and directors of each party hereto shall use all reasonable efforts to take all such necessary action.

SECTION 6.8. LISTING APPLICATION. Lockheed Martin shall prepare and submit to the NYSE a listing application covering the shares of Lockheed Martin Common Stock issuable in the Merger and shall use commercially reasonable efforts to obtain, prior to the Effective

Time, approval for the listing of such Lockheed Martin Common Stock, subject to official notice of issuance.

SECTION 6.9. CONSENTS AND APPROVALS.

(a) In furtherance of and not in limitation of the agreements of the parties contained in Section 6.7 hereof, the parties shall each cooperate and use its respective reasonable efforts to promptly seek the amendment or repeal of the Satellite Act and other applicable Laws, including any regulations of the FCC or other Governmental Authority, or the applicable provisions thereof, that would prohibit or limit the ability of Lockheed Martin to (x) acquire and own all of the Equity Securities of COMSAT, (y) appoint all of the officers and directors of COMSAT following the Merger, or (z) consummate the transactions contemplated by this Agreement.

(b) In furtherance of and not in limitation of the agreements of the parties contained in Section 6.7 hereof, the parties shall each cooperate and use its respective reasonable efforts to promptly make all filings and obtain all consents and approvals of Governmental Authorities (including, without limitation, the FCC) and other Persons necessary to consummate the transactions contemplated by this Agreement including, without limitation, to permit Lockheed Martin and Offer Subsidiary to consummate the Carrier Acquisition, to cause Offer Subsidiary to become an Authorized Carrier and to consummate the Offer and the Merger. Each of the parties hereto will furnish to the other parties such necessary information and reasonable assistance as such other Persons may reasonably request in connection with the foregoing.

(c) In furtherance of and not in limitation of the agreements of the parties contained in Section 6.7 hereof, the parties shall each (i) take promptly all actions necessary to make the filings required of such party 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 such party or any of their affiliates from the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT") or other Governmental Authority pursuant to Antitrust Laws, and (iii) cooperate with the other parties hereto in connection with any filings under applicable Antitrust Laws and in connection with resolving any investigation or other inquiry concerning any transaction contemplated by this Agreement commenced by any of the Federal Trade Commission, the Antitrust Division of the Department of Justice, state attorneys general, or other Governmental Authorities. For purposes of this Agreement, the term "ANTITRUST LAWS" 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 Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade. 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 Council or Commission of the European Community (the "CCEC") or other organs of the European Union or European Community implementing such regulations.

(d) In furtherance of and not in limitation of the agreements of the parties contained in Section 6.7 hereof the parties shall each use all reasonable efforts to resolve such objections, if any, as may be asserted under any Antitrust Law or any other applicable Law, with respect to any transaction contemplated by this Agreement. If any administrative, judicial or legislative action or proceeding is initiated (or threatened to be initiated) or any other action is taken by any Person challenging any transaction contemplated by this Agreement as violative of any Antitrust Law or any other applicable Law, the parties shall each cooperate to contest and resist any such action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction, ruling, decision, finding or other order (whether temporary, preliminary or permanent) (any such decree, judgment, injunction, ruling, decision, finding or other order is hereafter referred to as an "ORDER") or other official action or decision of any Governmental Authority that is in effect and that restricts, prevents or prohibits consummation of any transaction contemplated by this Agreement, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal.

(e) Notwithstanding anything in this Agreement to the contrary:

(i) In no event shall any of Lockheed Martin and its Subsidiaries be required to agree to hold separate or to divest any of their respective businesses or Assets, or agree to any other restriction or condition with respect to the acquisition or ownership of any of their respective businesses or Assets or the conduct or operation of any of their respective businesses or Assets, or following the consummation of the Offer or the Effective Time, of COMSAT or any of its Subsidiaries, as may be required (i) by any applicable Governmental Authority (including, without limitation, the Federal Trade Commission, the Antitrust Division of the Department of Justice or any state attorney general) in order to resolve such objections as such Governmental 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 any Person 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 any transaction contemplated by this Agreement, if the Board of Directors of Lockheed Martin determines in good faith that any such agreement to hold separate or to divest or agreement to other restriction or condition is not in the best interests of Lockheed Martin.

(ii) Except for seeking review by the full FCC of any FCC staff decision denying any application to permit Lockheed Martin or Offer Subsidiary to consummate the Carrier Acquisition, to cause Offer Subsidiary to become an Authorized Carrier or to consummate the Offer, Lockheed Martin shall not be required to undertake or continue any contest or resistance of an action or proceeding or take any other action, in each case of the type referred to in Section 6.7 hereof (including, but not limited to, Section 6.7(iii) hereof) or Section 6.9 hereof (including, but not limited to, Section 6.9(d) hereof) if, after taking into account advice of independent counsel with respect to relevant matters, including, without limitation, the likely outcome of the action or proceeding, the timing thereof and the likely costs related thereto, the Board of Directors of Lockheed

Martin determines in good faith that undertaking or continuing any such contest or resistance or taking any such other action is not in the best interests of Lockheed Martin.

(f) Each of COMSAT, Lockheed Martin and Acquisition Sub shall promptly inform the other parties of any material communication received by such party from the Federal Trade Commission, the Antitrust Division of the Department of Justice, the FCC or any other Governmental Authority or INTELSAT or Inmarsat regarding any transaction contemplated by this Agreement, along with copies of any written communications received with respect thereto and written summaries of any oral communications with respect thereto.

SECTION 6.10. PUBLIC ANNOUNCEMENTS. The initial press release relating to this Agreement shall be a joint press release and thereafter COMSAT, Lockheed Martin and Acquisition Sub shall consult with each other before issuing any press release or otherwise making any public statements with respect to any transaction contemplated by this Agreement 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; provided that the statements included in any such press release or the public statement made in compliance with this Section 6.10 may be published, reiterated or restated, in whole or in part, without the necessity of further complying with this Section 6.10.

SECTION 6.11. NOTIFICATION. COMSAT shall give prompt notice to Lockheed Martin and Lockheed Martin shall give prompt notice to COMSAT, in each case, after it has actually become aware, of (i) any representation or warranty made by it contained in this Agreement that is qualified as to materiality becoming untrue or inaccurate in any respect or any such representation or warranty that is not so qualified becoming untrue or inaccurate in any material respect or (ii) the failure by it to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under this Agreement; provided, however, that no such notification shall
-------- -------
affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

SECTION 6.12. CERTAIN LITIGATION. The parties shall cooperate in the defense of any litigation commenced after the date hereof against either party or any of their respective directors by any shareholder of COMSAT or Lockheed Martin relating to any transaction contemplated by this Agreement and shall not settle any such litigation without the prior written consent of the other party. In addition, subject to its rights under Section 6.4 hereof, COMSAT shall not voluntarily cooperate with any other Person that may hereafter seek to restrain or prohibit or otherwise oppose any transaction contemplated by this Agreement and shall cooperate with Lockheed Martin and Acquisition Sub to resist any such effort to restrain or prohibit or otherwise oppose such transaction.

SECTION 6.13. EMPLOYEE AND BENEFIT MATTERS; STOCK OPTIONS AND AWARDS.

(a) Stock Options and Awards. Except as provided in Section 6.13(b) hereof, as of the Effective Time, Lockheed Martin shall assume all COMSAT Stock Plans and the COMSAT Stock Options. Each COMSAT Stock Option outstanding at the Effective Time shall be deemed to constitute an option to acquire, on the same terms and conditions, mutatis mutandis, as were applicable under such COMSAT Stock Option prior to the Effective Time, (i) the number of shares of Lockheed Martin Common Stock as the holder of such COMSAT Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such COMSAT Stock Option in full immediately prior to the Effective Time (not taking into account whether or not such option was in fact then exercisable), (ii) at a price per share equal to (x) the aggregate exercise price for COMSAT Common Stock otherwise purchasable pursuant to such COMSAT Stock Option divided by (y) the number of shares of Lockheed Martin Common Stock deemed purchasable pursuant to such assumed COMSAT Stock Option, provided that the number of shares of Lockheed Martin Common Stock that may be purchased upon exercise of any such Lockheed Martin Stock Option shall not include any fractional share and, upon exercise of any such Lockheed Martin Stock Option, a cash payment shall be made for any fractional share based on the last sale price per share of Lockheed Martin Common Stock on the trading day immediately preceding the date of exercise. COMSAT shall use its reasonable efforts to provide, on or prior to the Effective Time, a written acknowledgement of each holder of a COMSAT Stock Option that such COMSAT Stock Option from and after the Effective Time will be exercisable for shares of Lockheed Martin Common Stock as provided herein,

provided that COMSAT need not do so if Lockheed Martin determines to its reasonable satisfaction that the terms of such COMSAT Stock Option or COMSAT Stock Plan provides that, after giving effect to any permitted action by the COMSAT board of directors or committee thereof, from and after the Effective Time, such COMSAT Stock Option shall be exercisable only for shares of Lockheed Martin Common Stock and not for shares of common stock of the Surviving Corporation or any other Person. COMSAT shall amend each other Plan, agreement or arrangement that provides benefits or payments by reference to the price of COMSAT Common Stock, other than the COMSAT Stock Option Plans, to provide that as of and after the Effective Time, the payments or benefits shall be measured by reference to the price of Lockheed Martin Common Stock, determined in like manner to the adjustments prescribed above with respect to the exercise price of COMSAT Stock Options and the number of shares of COMSAT Common Stock into which COMSAT Stock Options are exercisable. In respect of each COMSAT Stock Option to be converted into options or rights to acquire Lockheed Martin Common Stock, Lockheed Martin shall file as soon as practicable after the Effective Time with the SEC, and keep current the effectiveness of, a registration statement on Form S-8 or other appropriate form for as long as such options or rights remain outstanding (and maintain the current status of the prospectus with respect thereto). Lockheed Martin agrees to reserve for issuance a number of shares of Lockheed Martin Common Stock equal to the number of shares of Lockheed Martin Common Stock issuable under the COMSAT Stock Options.

(b) Employee Stock Purchase Plan. COMSAT shall terminate each employee stock purchase plan COMSAT maintains for its or any of its Subsidiaries' employees no later than the Effective Time.

(c) Change in Control. COMSAT shall cause to be amended each of the Plans listed in Section 6.13(c) of the COMSAT Disclosure Schedule and/or the Board of Directors of COMSAT shall adopt a resolution to provide that (i) for purposes of the Plans listed in Section 6.13(c)(1) of the COMSAT Disclosure Schedule, neither the execution of this Agreement, the consummation of the transactions contemplated by this Agreement nor approval of this Agreement or the transactions contemplated hereby by the Board of Directors or shareholders of COMSAT shall be a "Change in Control" of COMSAT (or any similar triggering event resulting in the acceleration or other change in the terms of benefits payable under the Plans); and (ii) for the purposes of the Plans listed in Section 6.13(c)(2) of the COMSAT Disclosure Schedule, a "Change in Control" of COMSAT (or any similar triggering event resulting in the acceleration or other change in the terms of benefits payable under the Plans) shall occur at the Effective Time.

(d) Service Credit. Following the Effective Time, Lockheed Martin shall, or shall cause the Surviving Corporation, to recognize the service of current or former employees of COMSAT and any of its Subsidiaries (the "COMSAT EMPLOYEES") for purposes of participation, eligibility and vesting under any benefit Plan (including eligibility for benefit levels under any severance, retiree medical or vacation pay plans to the extent based on length of service) in which such employees may then be eligible to participate, except to the extent that such service was not taken into account under the comparable Plan immediately prior to the Effective Time. A COMSAT Employee who has accrued but unused vacation time under a Plan at the Effective Time shall retain such accrued but unused vacation after the Effective Time.

(e) Pre-Existing Condition Limitations; Deductibles. With respect to any Plans of Lockheed Martin in which the COMSAT Employees participate effective as of the Effective Time, Lockheed Martin shall, or shall cause the Surviving Corporation to: (i) not impose any requirements under the Plans more onerous than those currently in effect with respect to pre-existing condition limitations or exclusions and waiting periods with respect to eligibility and participation applicable to COMSAT Employees, and (ii) recognize credit toward satisfying any applicable co-payment, deductible expense requirement, out-of-pocket expense limit and maximum lifetime benefit limits of each COMSAT Employee or their eligible dependents as and to the extent any payment would have been previously recognized under the applicable COMSAT welfare benefit Plans prior to the Effective Time.

(f) Assumption of Plans. As of the Effective Time, Lockheed Martin shall assume and shall cause the Surviving Corporation to assume in accordance with their terms all Plans and agreements listed in Section 6.13(f) of the COMSAT Disclosure Schedule.

(g) Benefit Continuation. For a period of at least one year following the Effective Time, Lockheed Martin shall, or shall cause the Surviving Corporation to, provide each COMSAT Employee with qualified plan and employee welfare plan benefits (other than plans provided exclusively to management) which are comparable in the aggregate to the qualified plan and welfare plan benefits (other than plans provided exclusively to management) provided to such COMSAT Employee immediately prior to the Effective Time.

SECTION 6.14. NO RESTRICTIONS. COMSAT shall not intentionally take any action, or omit to take any action, if the result of such action or omission could reasonably be expected to result in any restriction or limitation on the ability of Lockheed Martin or its Subsidiaries to vote any of the Shares purchased by any of Lockheed Martin and its Subsidiaries in the Offer.

SECTION 6.15. ADVICE OF CHANGES. COMSAT shall cause its senior officers to use reasonable efforts to promptly advise Lockheed Martin of any change or occurrence that would reasonably be expected to have a Material Adverse Effect on COMSAT and, to the extent permitted by Law, to meet from time to time with Lockheed Martin's senior officers to discuss COMSAT's business.

SECTION 6.16. INDEMNIFICATION.

(a) From and after the Effective Time, Lockheed Martin shall cause the Surviving Corporation to indemnify, defend and hold harmless the present and former officers, directors, employees and agents of COMSAT 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 COMSAT's Articles of Incorporation and By-Laws and agreements in effect on the date hereof (to the extent consistent with applicable Law as of the Effective Time), which provisions will survive the Merger and continue in full force and effect after the Effective Time, in each case consistent with Applicable Law. Without limiting the foregoing, (i) Lockheed Martin shall, and shall cause the Surviving Corporation to, periodically advance expenses (including attorneys' fees) as incurred by an Indemnified Party with respect to the foregoing to the extent required under COMSAT's Articles of Incorporation and Bylaws 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. Lockheed Martin hereby guarantees the obligation of the Surviving Corporation provided for under this Section 6.16(a).

(b) For a period of six years after the Effective Time, Lockheed Martin shall use reasonable efforts to cause to be maintained in effect the current policies of directors and officers liability insurance maintained by COMSAT (provided that Lockheed Martin 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 in the aggregate) with respect to claims arising from or related to facts or events which occurred at or before the Effective Time; provided, that Lockheed Martin
----
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 COMSAT 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, Lockheed Martin 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 6.16 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 6.17. NO CONTROL. Prior to the Effective Time, Lockheed Martin shall not and shall not permit any of its Subsidiaries to, directly or indirectly, control, supervise or direct, or attempt to control, supervise or direct, the operations of COMSAT or of any common carrier activities or licensed facilities authorized by the FCC, in contravention of applicable Law; those operations, including complete control and supervision of common carrier activities, FCC-licensed facilities, employees and policies shall be the sole responsibility of COMSAT and its Subsidiaries.

SECTION 6.18. ACCOUNTANT'S LETTERS. Each of COMSAT and Lockheed Martin shall use all reasonable efforts to cause to be delivered to the other party two letters from its independent public accountants, one dated the date on which the Form S-4 shall become effective and one dated the Closing Date, each addressed to COMSAT and Lockheed Martin, in form and substance reasonably satisfactory to the other party and customary in scope and substance for comfort letters delivered by independent public accountants in connection with registration statements similar to the Form S-4.

SECTION 6.19. NORTH AMERICAN NUMBERING PLAN. COMSAT acknowledges that an affiliate of Lockheed Martin is party to a contract pursuant to which it acts as administrator of the North American Numbering Plan. Lockheed Martin shall take such actions as are necessary so that the existence of the aforementioned contract does not prevent or delay consummation of the Offer or the Merger.

SECTION 6.20. AFFILIATE LETTERS. On or prior to the date of the COMSAT Shareholders Meeting, COMSAT will deliver to Lockheed Martin a letter identifying all Persons who may be deemed to be "affiliates" of COMSAT for purposes of Rule 145 under the Securities Act as of the date of the COMSAT Shareholders Meeting (the "COMSAT AFFILIATE LETTER"). On or prior to the Closing Date, COMSAT will use all reasonable efforts to cause each Person identified as an "affiliate" in the COMSAT Affiliate Letter to deliver a written agreement acknowledging the restrictions on affiliates under Rule 145 under the Securities Act.

ARTICLE VII

TERMINATION; AMENDMENT; WAIVER

SECTION 7.1. 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 shareholders of COMSAT) prior to the Effective Time:

(a) by mutual written consent of COMSAT and Lockheed Martin;

(b) by COMSAT or Lockheed Martin if any court of competent jurisdiction in the United States of America or other United States Governmental Authority shall have issued a final Order or taken any other final action restraining, enjoining or otherwise prohibiting the consummation of the Offer or the Merger and such Order or other action is or shall have become nonappealable;

(c) by Lockheed Martin if, due to an occurrence or circumstance which would result in a failure to satisfy any of the conditions set forth in Exhibit A hereto, Lockheed Martin shall have (i) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (ii) terminated the Offer without the purchase of any Shares thereunder or (iii) failed to accept for payment and pay for Shares pursuant to the Offer prior to the one year anniversary of the date hereof; provided that Lockheed Martin may not terminate pursuant to this Section 7.1(c) if Lockheed Martin is in material breach of this Agreement;

(d) by COMSAT if (i) there shall not have occurred a material breach of any representation, warranty, covenant or agreement of COMSAT or any of its Subsidiaries contained in this Agreement and Lockheed Martin shall have (A) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (B) terminated the Offer without the purchase of any Shares thereunder or (C) failed to accept for payment and pay for Shares pursuant to the Offer on or prior to the one year anniversary of the date hereof or (ii) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of COMSAT or any committee thereof shall have (A) determined that an Acquisition Proposal is a Superior Proposal, and approved a definitive agreement to effect such Superior Proposal and directed the authorized officers of COMSAT to execute and deliver such definitive agreement concurrently with the effectiveness of the termination of this Agreement pursuant to this Section 7.1(d)(ii) or (B) adopted any resolution to effect any of the foregoing; provided, that such termination under this clause (ii) shall not be effective until payment of the fee required by Section 7.3(a) hereof;

(e) by Lockheed Martin prior to the purchase of Shares pursuant to the Offer, if (i) there shall have occurred a breach of any representation or warranty of COMSAT or its Subsidiaries contained in this Agreement that would reasonably be expected to have a Material Adverse Effect on COMSAT or would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer, (ii) there shall have occurred a breach of any covenant or agreement of COMSAT or its Subsidiaries contained in this Agreement that has or would reasonably be expected to have a Material Adverse Effect on COMSAT or that would reasonably be expected to materially adversely affect (or materially delay) 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 Board of Directors of COMSAT or any committee thereof shall have (A) determined that an Acquisition Proposal is a Superior Proposal, (B) withdrawn, modified or materially qualified (including by amendment of the Schedule 14D-9) in a manner adverse to Lockheed Martin or Acquisition Sub its approval or recommendation of the Offer, the Merger or this Agreement, (C) recommended to COMSAT's shareholders another Acquisition Proposal, (D) adopted any

resolution to effect any of the foregoing, or (iv) the Minimum Condition shall not have been satisfied upon the expiration of the Offer and at or prior to such time a Person or group (other than Lockheed Martin or Acquisition Sub) shall have commenced, publicly proposed or publicly disclosed an Acquisition Proposal;

(f) by COMSAT prior to the purchase of Shares pursuant to the Offer, if (i) there shall have occurred a breach of any representation or warranty of Lockheed Martin or Acquisition Sub contained in this Agreement that would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer or (ii) there shall have occurred a material breach of any covenant or agreement of Lockheed Martin or Acquisition Sub contained in this Agreement that would reasonably be expected to materially adversely affect (or materially delay) 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;

(g) by Lockheed Martin or COMSAT if the shareholders of COMSAT shall not have approved the Merger and this Agreement at the COMSAT Shareholders Meeting, including any postponement or adjournment thereof, on or before the one year anniversary of the date hereof;

(h) by COMSAT or Lockheed Martin if (i) there shall not have occurred a material breach of any representation, warranty, covenant or agreement of such party contained in this Agreement and (ii) the Effective Time shall not have occurred on or before the two year anniversary of the date hereof;

SECTION 7.2. EFFECT OF TERMINATION. In the event of the termination and abandonment of this Agreement pursuant to Section 7.1 hereof, 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 7.2 and Sections 6.6(b), 7.3, 8.2, 8.11 and 8.12 hereof. Nothing contained in this Section 7.2 shall relieve any party from Liability for any willful breach of this Agreement.

SECTION 7.3. FEES AND EXPENSES.

(a) If any of the following shall occur:

(i) COMSAT or Lockheed Martin terminates this Agreement pursuant to Section 7.1(e)(iv) or Section 7.1(g) and, within 12 months thereafter, COMSAT or any of its Subsidiaries enters into an agreement with respect to an Acquisition Proposal, or an Acquisition Proposal is consummated, involving any Person or affiliate, or any group in which such Person (or any affiliate thereof, or any group in which such Person or affiliate is a member) (A) with whom COMSAT or any COMSAT Representative had discussions with respect to an Acquisition Proposal, (B) to whom COMSAT or any COMSAT Representative furnished information with respect to an Acquisition Proposal or (C) who had commenced, publicly proposed or publicly disclosed an Acquisition

Proposal or expressed to COMSAT an interest in an Acquisition Proposal, in the case of each of clauses (A), (B) and (C) after the date hereof and prior to such termination; or

(ii) COMSAT terminates this Agreement pursuant to Section 7.1(d)(ii) hereof;

then, in each case, COMSAT shall pay to Lockheed Martin, 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 7.1(d)(ii) hereof, a fee, in cash, of $75 million (the "TERMINATION FEE");

provided, that COMSAT in no event shall be obligated to pay more than one such
- - --------
Termination Fee with respect to all such agreements and occurrences and such termination.

(b) Except as specifically provided in this Section 7.3(b) or the Registration Rights Agreement, each party shall bear its own expenses incurred in connection with the transactions contemplated by the Transaction Agreements, including, without limitation, out-of-pocket costs, and fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants as well as fees and expenses incident to the negotiation, preparation and execution of the Transaction Agreements and related documentation, preparation of filings and consents with Governmental Authorities and other Persons, and any litigation resulting from the execution of the Transaction Agreements; provided, that in the event the Termination Fee becomes
----
payable, COMSAT shall, upon the receipt of documentation in form reasonably satisfactory to COMSAT, promptly reimburse Lockheed Martin and its Subsidiaries in cash in immediately available funds, for any of the foregoing expenses of Lockheed Martin or its Subsidiaries, up to $5.0 million in the aggregate.

(c) Notwithstanding anything to the contrary contained in this Agreement, upon payment by COMSAT in full of the amounts referred to in Sections 7.3(a) and 7.3(b) hereof, COMSAT shall be released from all Liability hereunder, including any Liability for any claims by Lockheed Martin, Acquisition Sub or any of their affiliates based upon or arising out of any breach of this Agreement.

(d) The agreements contained in this Section 7.3 are an integral part of the transactions contemplated by this Agreement and constitute liquidated damages and not a penalty. In the event of any dispute as to whether any fee or other amount due under this Section 7.3 is due and payable, the prevailing party shall be entitled to receive from the other party the reasonable costs and expenses (including reasonable legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, relating to such dispute. Interest shall be paid on the amount any unpaid fee at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

SECTION 7.4. AMENDMENT. This Agreement may be amended by action taken by COMSAT, Lockheed Martin and Acquisition Sub at any time before or after approval of the Merger and this Agreement by the shareholders of COMSAT, if any; provided that after the date
- - --------

of approval of the Merger and this Agreement by the shareholders of COMSAT, no amendment shall be made which decreases the amount or changes the form of the Merger Consideration or which adversely affects the rights of COMSAT's shareholders hereunder without the approval of such shareholders. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties.

SECTION 7.5. EXTENSION; WAIVER. At any time prior to the Effective Time, the parties may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) 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 (iii) waive compliance with any of the agreements or conditions of the other parties hereto contained herein; provided that after the date of approval
----
of the Merger and this Agreement by the shareholders of COMSAT, no extensions or waivers shall be made which adversely affect the rights of COMSAT's shareholders hereunder without the approval of such shareholders. 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 VIII

MISCELLANEOUS

SECTION 8.1. SURVIVAL. The representations, warranties, covenants and agreements made herein shall not survive beyond the Effective Time; provided, that the covenants and agreements contained in Section 6.16
----
hereof shall survive beyond the Effective Time without limitation.

SECTION 8.2. ENTIRE AGREEMENT. Except for the Confidentiality Agreements dated as of August 5, 1997 between Lockheed Martin and COMSAT (the "CONFIDENTIALITY AGREEMENTS"), which shall continue in full force and effect other than Sections 3 and 7 thereof (which are superseded hereby), the Transaction Agreements (including the schedules and exhibits and the agreements and other documents referred to therein) embody the entire agreement and understanding of the parties, and supersede all prior agreements or understandings, with respect to the subject matters thereof.

SECTION 8.3. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware except for internal corporate matters, which shall be governed by the Laws of the respective parties' jurisdictions of incorporation.

SECTION 8.4. NOTICES. In any case where any notice or other communication is required or permitted to be given hereunder (including, without limitation, any change in the information set forth in this Section 8.4), such notice or communication shall be in writing and (i) personally delivered, (ii) sent by postage prepaid certified or registered mail, return receipt requested, (iii) sent by recognized overnight courier, or (iv) transmitted by telecopier, with a

copy sent by postage prepaid certified or registered mail, return receipt requested, or by recognized overnight courier, as follows:

(a) If to the Lockheed Martin or Acquisition Sub, to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Telephone: (301) 897-6000
Telecopy: (301) 897-6791
Attention: General Counsel

with a copy to:

O'Melveny & Myers LLP
555 13th Street, N.W., Suite 500W
Washington, D.C. 20004-1109
Telephone: (202) 383-5300
Telecopy: (202) 383-5414
Attention: David G. Litt, Esq.

(b) If to COMSAT, to:

COMSAT Corporation
6560 Rock Spring Drive
Bethesda, Maryland 20817
Telephone: (301) 214-3000
Telecopy: (301) 214-7128
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000
Telecopy: (212) 735-2000
Attention: Richard L. Easton, Esq.

SECTION 8.5. 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 any party (whether by operation of Law or otherwise) without the prior written consent of the other party; provided that Lockheed Martin may assign its rights and obligations hereunder
- - --------
or those of Acquisition Sub

to Lockheed Martin or any Subsidiary of Lockheed Martin, but in each case no such assignment shall relieve Lockheed Martin or Acquisition Sub, of its obligations hereunder. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and except for Section 6.16 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 8.6. COUNTERPARTS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were on the same instrument.

SECTION 8.7. INTERPRETATION. Article and section headings in this Agreement are included for the convenience of reference only and do not constitute a part of this Agreement for any other purpose. References to parties and articles and sections in this Agreement are references to the parties to or the articles and sections of this Agreement, as the case may be, unless the context shall require otherwise.

SECTION 8.8. SCHEDULES. The COMSAT 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 8.9. LEGAL ENFORCEABILITY. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of the provision in any other jurisdiction.

SECTION 8.10. NO WAIVERS; REMEDIES; SPECIFIC PERFORMANCE.

(a) No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver of such right, power or privilege. A single or partial exercise of any right, power or privilege shall not preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies available at law or in equity.

(b) In view of the uniqueness of the agreements contained in this Agreement and the transactions contemplated hereby and the fact that each party would not have an adequate remedy at law for money damages in the event that any obligation under this Agreement is not performed in accordance with its terms, each party therefore agrees that the other parties to this Agreement shall be entitled to specific enforcement of the terms of this Agreement in addition to any other remedy to which any of them may be entitled, at law or in equity.

SECTION 8.11. EXCLUSIVE JURISDICTION. Each party (i) agrees that any action with respect to this Agreement or transactions contemplated by this Agreement shall be brought

exclusively in the courts of the State of Delaware or of the United States of America for the State of Delaware, (ii) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, (iii) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action in those jurisdictions; provided, however, that each party may assert in an action in any other jurisdiction or venue each mandatory defense, third-party claim or similar claim that, if not so asserted in such action, may not be asserted in an original action in the courts referred to in clause (i) above. Lockheed Martin and COMSAT each hereby appoints Corporation Trust Company as its agent for service of process in the State of Delaware in connection with any such action.

SECTION 8.12. WAIVER OF JURY TRIAL. Each party waives any right to a trial by jury in any action to enforce or defend any right under this Agreement or any amendment, instrument, document or agreement delivered, or which in the future may be delivered, in connection with this Agreement and agrees that any action shall be tried before a court and not before a jury.

[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.

COMSAT CORPORATION

By: /s/ Betty C. Alewine

Name: Betty C. Alewine
Title: President and
Chief Executive Officer

LOCKHEED MARTIN CORPORATION

By: /s/ Vance D. Coffman

Name: Vance D. Coffman
Title: Chairman and
Chief Executive Officer

DENEB CORPORATION

By: /s/ John V. Sponyoe

Name: John V. Sponyoe
Title: Chief Executive Officer

EXHIBIT A

CONDITIONS OF THE OFFER

Notwithstanding any other provision of the Offer, Lockheed Martin shall not be required to accept for payment or pay for, and may delay the acceptance for payment of (whether or not any 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 and the Merger Agreement), (A) any applicable waiting period under the Antitrust Laws shall not have terminated or expired and all consents or approvals required under the Antitrust Laws shall not have been received, (B) fewer than one third (1/3) of the outstanding shares of COMSAT Common Stock shall have been validly tendered and not withdrawn (the "MINIMUM CONDITION"), (C) the shareholders of COMSAT shall not have approved the Merger and this Agreement pursuant to Section 29-367 of the DCBCA, (D) Lockheed Martin and Offer Subsidiary shall not have received all approvals of the FCC necessary for them to consummate the Carrier Acquisition, (E) the Carrier Acquisition shall not have been consummated, (F) Offer Subsidiary shall not have been approved by the FCC to be an Authorized Carrier, (G) Offer Subsidiary shall not have been authorized by the FCC to acquire the maximum number of shares of COMSAT Common Stock to be purchased pursuant to the Offer (the affirmative obligations of subsections (D)-(G) shall be referred to as the "AUTHORIZED CARRIER CONDITIONS"), or (H) Lockheed Martin or its Subsidiaries shall not have the right to vote any of the shares without restriction or limitation except as expressly set forth in Section 303 of the Satellite Act (47 U.S.C. (S) 733); 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 COMSAT 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 (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) at any time prior to consummation of the Offer, except for changes permitted by the Merger Agreement and except where the failure to be so true and correct would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on COMSAT; provided, that if any such
----
failure to be so true and correct (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) is curable by COMSAT through the exercise of its reasonable efforts, then Lockheed Martin may not terminate the Offer under this subsection (a) until 10 business days after written notice thereof has been given to COMSAT by Lockheed Martin and unless at such time the matter has not been cured; or

(b) COMSAT 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 reasonably be expected to have a Material Adverse Effect on COMSAT; provided that, if any such breach is curable by COMSAT through the exercise of its reasonable efforts, then Lockheed Martin may not terminate the Offer under this subsection (b) until 10 business days after written notice thereof has been given to COMSAT by Lockheed Martin and unless at such time the breach has not been cured; or

(c) (A) after the date of the Merger Agreement, there shall have been any change in existing Law or any new Law promulgated, enacted, enforced or deemed applicable to COMSAT or to the transactions contemplated by the Merger Agreement or (B) INTELSAT or Inmarsat shall have adopted a plan for privatization, or have been privatized, in whole or in part, in a manner or pursuant to terms and conditions (or, in the case of an adopted plan, proposed terms and conditions), in the case of either clause (A) or clause (B) that Lockheed Martin determines in good faith (after consultation with COMSAT) would reasonably be expected to have a Material Adverse Effect on COMSAT; or

(d) any fact or circumstance exists or shall have occurred that has or would reasonably be expected to have a Material Adverse Effect on COMSAT; or

(e) there shall have occurred (i) any general suspension of trading in securities on the NYSE (other than intra-day trading halts), (ii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States of America (whether or not mandatory), (iii) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States of America and that would reasonably be expected to have a Material Adverse Effect on COMSAT or would reasonably be expected to materially adversely affect (or materially delay) the consummation of the Offer, (iv) any limitation or proposed limitation (whether or not mandatory) by any Governmental Authority or other instrumentality of the United States of America that materially adversely affects generally the extension of credit by banks or other financial institutions, or (v) in the case of any of the situations described in clauses (i) through (iv) inclusive, existing at the date of the commencement of the Offer, a material acceleration, escalation or worsening thereof; or

(f) (i) there shall have been a decline in the Standard & Poor's 500 Index of at least 27% from the date hereof through any given day (a "MEASUREMENT DATE") prior to the termination or expiration of the Offer, and (ii) the Standard & Poor's 500 Index shall also be at least 27% lower than on the date hereof on the earlier of (A) the close of trading on the next trading date at least 30 calendar days from such Measurement Date, and (B) the close of trading on the trading date immediately prior to the date on which the Offer Closing Time would otherwise occur, but for the failure of this condition; or

(g) prior to the purchase of Shares pursuant to the Offer, the Board of Directors of COMSAT shall have (1) recommended an Acquisition Proposal that is a Superior Proposal, (2) withdrawn, modified or materially qualified (including by amendment of the Schedule 14D-9) in a manner adverse to Lockheed Martin its approval or recommendation of the Offer, the Merger or the Merger Agreement, (3) recommended to COMSAT's shareholders another offer, or (4) adopted any resolution to effect any of the foregoing which, in the sole judgment of Lockheed Martin in any such case, and regardless of the circumstances (including any action or omission by Lockheed Martin) giving rise to any such condition, makes it inadvisable to proceed with such acceptance for payment; or

(h) the Merger Agreement shall have been terminated in accordance with its terms.

The foregoing conditions are for the sole benefit of Lockheed Martin and may be asserted by Lockheed Martin regardless of the circumstances giving rise to such conditions, or may be waived by Lockheed Martin in whole or in part at any time and from time to time in its sole discretion.

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "AGREEMENT") dated as of September 18, 1998, between COMSAT CORPORATION, a District of Columbia corporation ("COMSAT") and LOCKHEED MARTIN CORPORATION, a Maryland corporation (collectively with its subsidiaries, "LOCKHEED MARTIN").

Terms not otherwise defined herein have the meanings stated in the Merger Agreement (as defined below).

RECITALS

A. Pursuant to an Agreement and Plan of Merger dated as of September 18, 1998 (as amended or modified from time to time, the "MERGER AGREEMENT"), among COMSAT, Lockheed Martin, and Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Lockheed Martin ("ACQUISITION SUB"), Lockheed Martin, acting through a wholly-owned single member Delaware limited liability company ("OFFER SUBSIDIARY"), will commence an offer to purchase for cash (the "OFFER") shares (collectively, the "SHARES") of COMSAT's common stock, without par value (the "COMSAT COMMON STOCK"). The Shares to be acquired in the Offer are hereinafter referred to as the "REGISTRABLE SHARES."

B. In order to induce Lockheed Martin to enter into the Merger Agreement, COMSAT and Lockheed Martin have agreed to enter into this Agreement concurrent therewith.

AGREEMENT

The parties agree as follows:

SECTION 1. DEMAND REGISTRATION RIGHTS.

(a) From and after the date of termination of the Merger Agreement in accordance with its terms, and assuming Offer Subsidiary acquired any Registrable Shares pursuant to the Offer (the "COMMENCEMENT DATE"), on one or more occasions when COMSAT shall have received a written request for registration hereunder from Lockheed Martin, COMSAT shall, as expeditiously as possible and in good faith, include in a Registration Statement in accordance with the methods of distribution specified by Lockheed Martin, the number of Registrable Shares (the "TRANSACTION REGISTRABLE SHARES") that Lockheed Martin shall have requested that COMSAT register.

(b) If the requested registration pursuant to this Section 1 shall involve an underwritten offering, (i) no other securities of COMSAT, including securities to be offered for the account of COMSAT or any Person other than Lockheed Martin, shall be included in the

Registration Statement and (ii) Lockheed Martin shall select (with the consent of COMSAT, not to be unreasonably withheld or delayed) the managing underwriter in connection with the offering and any additional investment bankers and managers to be used in connection with the offering.

(c) Notwithstanding anything herein to the contrary:

(i) COMSAT shall not be required to prepare and file pursuant to this Section 1 a Registration Statement including less than 3,000,000 Registrable Shares in the aggregate (as such number of shares may be equitably adjusted in the event of any change in the Registerable Shares by reason of stock dividends, split-ups, reverse split-ups, mergers, recapitalizations, subdivisions, conversions, exchanges of shares or the like);

(ii) subject to the following clause (iii), COMSAT shall not be required to prepare and file pursuant to this Section 1 more than five Registration Statements;

(iii) if a requested registration pursuant to this Section 1 shall involve an underwritten offering, and if the managing underwriter shall advise COMSAT and Lockheed Martin in writing that, in its opinion, the number of Transaction Registrable Shares proposed to be included in the registration is so great as to adversely affect the offering, including the price at which the Transaction Registrable Shares could be sold, COMSAT will, upon the request of Lockheed Martin, include in the registration the maximum number of Transaction Registrable Shares which it is so advised can be sold without the adverse effect. Alternatively, Lockheed Martin may notify COMSAT that Lockheed Martin has determined not to proceed with such registration, in which case such registration shall not be counted toward the total number of registrations allotted to Lockheed Martin under the preceding clause (ii); and

(iv) an exercise of a request for registration under this Section 1 shall not count as the use of such right (A) if the Registration Statement to which it relates is not declared effective by the SEC within 90 days of the date such Registration Statement is first filed with the SEC, (B) if, within 90 days after the registration relating to any such request has become effective but before Lockheed Martin distributes the Transaction Registrable Shares thereunder, such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other Governmental Authority for any reason and COMSAT fails to have such stop order, injunction or other order or requirement removed, withdrawn or resolved to the reasonable satisfaction of Lockheed Martin within 30 days, or (C) if the Registration Statement and the Prospectus do not remain effective or current for the period they are required to remain effective or current hereunder; provided, that except as otherwise provided in the
----
preceding clause (iii) such exercise shall count if such Registration Statement is withdrawn because Lockheed Martin determines not to proceed with such registration.

SECTION 2. PIGGY-BACK REGISTRATION RIGHTS.

(a) If COMSAT shall determine to register or qualify by a registration statement filed under the Securities Act and under any applicable state securities Laws, any offering of any Equity Securities of COMSAT, other than an offering with respect to which Lockheed Martin shall have requested a registration pursuant to Section 1 hereof, COMSAT shall give notice of such determination to Lockheed Martin. COMSAT shall, as expeditiously as possible and in good faith, include in the registration statement the number of Transaction Registrable Shares that Lockheed Martin shall have specified by written notice received by COMSAT not later than 10 business days after COMSAT shall have given such written notice to Lockheed Martin pursuant to this Section 2(a).

(b) Notwithstanding anything herein to the contrary:

(i) COMSAT shall not be required by this Section 2 to include any Registrable Shares owned by Lockheed Martin in a registration statement on Form S-4 or S-8 (or any successor form) or a registration statement filed in connection with an exchange offer or other offering of securities solely to the then existing shareholders of COMSAT; and

(ii) if a registration pursuant to this Section 2 involves an underwritten offering, COMSAT or the Person initiating the registration shall select the managing underwriter for the offering and any additional investment bankers and managers to be used in connection with the offering, and if the managing underwriter advises COMSAT in writing that, in its opinion, the number of securities requested to be included in the registration is so great as to adversely affect the offering, including the price at which the securities could be sold, COMSAT will include in the registration the maximum number of securities which it is so advised can be sold without the adverse effect, allocated as follows:

(A) first, all securities proposed to be registered by COMSAT for its own account;

(B) second, all securities proposed to be registered by COMSAT pursuant to the exercise by any Person other than Lockheed Martin of a "demand" right requesting the registration of shares of COMSAT Common Stock in accordance with an agreement entered into prior to the date of execution of the Merger Agreement substantially similar to the provisions of Section 1 hereof; and

(C) third, all other securities (including Transaction Registrable Shares) duly requested to be included in the registration, allocated pro rata among Lockheed Martin and such other Persons on the basis of the relative number of securities that each such Person has duly requested to be included in the registration.

(c) From and after the date of this Agreement, COMSAT shall not, without the prior written consent of Lockheed Martin, enter into any agreement with any holder or prospective holder of any Equity Securities of COMSAT giving such holder or prospective holder any registration rights, including without limitation "piggyback" registration rights, the terms of which are inconsistent with the registration rights granted to Lockheed Martin hereunder.

SECTION 3. REGISTRATION PROVISIONS. With respect to each registration pursuant to this Agreement:

(a) Notwithstanding anything herein to the contrary, COMSAT shall not be required to include in any registration any of the Registrable Shares owned by Lockheed Martin (i) if COMSAT shall deliver to Lockheed Martin an opinion, satisfactory in form, scope and substance to Lockheed Martin and addressed to Lockheed Martin by legal counsel satisfactory to Lockheed Martin to the effect that the distribution of such Registrable Shares proposed by Lockheed Martin is (1) not required to be registered under the Securities Act and (2) is not subject to any limitations imposed by COMSAT's Articles of Incorporation and By-Laws or (ii) if Lockheed Martin or any underwriter of such Registrable Shares shall fail to furnish to COMSAT the information in respect of the distribution of the shares that is required under this Agreement to be furnished by Lockheed Martin or the underwriter to COMSAT.

(b) COMSAT shall make available for inspection by Lockheed Martin, each underwriter of Transaction Registrable Shares and Lockheed Martin's accountants, counsel and other representatives, all financial and other records, pertinent corporate documents and properties of COMSAT as shall be reasonably necessary to enable them to exercise their due diligence responsibility in connection with each registration of Transaction Registrable Shares, and shall cause COMSAT's officers, directors and employees to supply all information reasonably requested by any such Person in connection with such registration;

provided that records and documents which COMSAT determines, in good faith, after consultation with its counsel to be confidential and which it notifies such Persons are confidential shall not be disclosed to them, except in each case to the extent that (i) the disclosure of such records or documents is necessary to avoid or correct a misstatement or omission in the Registration Statement, (ii) the disclosure of such records or documents to a Governmental Authority having jurisdiction over such Person is necessary or (iii) the disclosure of such records or documents may otherwise be required by applicable Laws, subpoena, or the order of any Governmental Authority. Lockheed Martin shall, and shall cause its accountants, counsel and other representatives to, after determining that disclosure of any records or documents may be necessary in the circumstances referenced in the proviso to the preceding sentence, give notice to COMSAT, and allow COMSAT, at COMSAT's expense, to undertake appropriate action to prevent disclosure of any such records or documents deemed confidential.

(c) Lockheed Martin shall furnish, and shall cause each underwriter of Transaction Registrable Shares to be distributed pursuant to the registration to furnish, to COMSAT in writing promptly upon the request of COMSAT the additional information

regarding Lockheed Martin or the underwriter, the contemplated distribution of the Transaction Registrable Shares and the other information regarding the proposed distribution by Lockheed Martin and the underwriter that shall be required in connection with the proposed distribution by the applicable securities Laws of the United States of America and the states thereof in which the Transaction Registrable Shares are contemplated to be distributed. The information furnished by Lockheed Martin or any underwriter shall be certified by Lockheed Martin or the underwriter, as the case may be, and shall be stated to be specifically for use in connection with the registration.

(d) COMSAT shall prepare and file with the SEC the Registration Statement, including the Prospectus, and each amendment thereof or supplement thereto, under the Securities Act and as required under any applicable state securities Laws, on a form that is then required or available for use by COMSAT to permit Lockheed Martin, upon the effective date of the Registration Statement, to use the Prospectus in connection with the contemplated distribution by Lockheed Martin of the Transaction Registrable Shares requested to be so registered. A registration pursuant to Section 1 hereof shall be effected pursuant to Rule 415 (or any similar provision then in force) under the Securities Act if the manner of distribution contemplated by Lockheed Martin shall include an offering on a delayed or continuous basis. COMSAT shall furnish to Lockheed Martin drafts of the Registration Statement and the Prospectus and each amendment thereof or supplement thereto for its timely review and comment prior to the filing thereof with the SEC. If the registration shall have been initiated solely by COMSAT or shall not have been initiated by Lockheed Martin, COMSAT shall not be obligated to prosecute the registration, and may withdraw the Registration Statement at any time prior to the effectiveness thereof, if COMSAT shall determine in good faith not to proceed with the offering of securities included in the Registration Statement. In all other cases, COMSAT shall use its reasonable efforts to cause the Registration Statement to become effective and, as soon as practicable after the effectiveness thereof, shall deliver to Lockheed Martin evidence of the effectiveness and as many copies of the Prospectus and each amendment thereof or supplement thereto as Lockheed Martin may reasonably request. COMSAT consents to the use by Lockheed Martin of each Prospectus and each amendment thereof and supplement thereto in connection with the distribution, in accordance with this Agreement, of the Transaction Registrable Shares. In addition, if necessary for resale by Lockheed Martin, COMSAT shall qualify or register in such states as may be reasonably requested by Lockheed Martin; provided that COMSAT shall not
----
be obligated to file any general consent to service of process or to qualify as a foreign corporation in any state in which it is not subject to process or qualified as of the date of the request. COMSAT shall advise Lockheed Martin in writing, promptly after the occurrence of any of the following, (i) the filing of the Registration Statement or any Prospectus, or any amendment thereof or supplement thereto, with the SEC, (ii) the effectiveness of the Registration Statement and any post-effective amendment thereto, (iii) the receipt by COMSAT of any communication from the SEC with respect to the Registration Statement or the Prospectus, or any amendment thereof or supplement thereto, including, without limitation, any stop order suspending the effectiveness thereof, any comments with respect thereto and any requests for amendments or supplements (in which case COMSAT shall promptly provide Lockheed Martin with copies of any written communications received with respect thereto and

written summaries of any oral communications with respect thereto) and (iv) the receipt by COMSAT of any notification with respect to the suspension of the qualification of Transaction Registrable Shares for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose.

(e) COMSAT shall use its reasonable efforts to cause the Registration Statement and the Prospectus to remain effective or current, as the case may be, including the filing of necessary amendments, post-effective amendments and supplements, and shall furnish copies of such amendments, post-effective amendments and supplements to Lockheed Martin, so as to permit Lockheed Martin to distribute the Transaction Registrable Shares in the manner of distribution during the contemplated period of distribution, but in no event longer than 90 days from the effective date of the Registration Statement; provided that the
----
period shall be increased by the number of days that Lockheed Martin shall have been required by Section 4 hereof to refrain from disposing of the Transaction Registrable Shares. During such contemplated period of distribution, COMSAT shall comply with the provisions of the Securities Act applicable to it with respect to the disposition of all Transaction Registrable Shares that shall have been included in the Registration Statement in accordance with the contemplated manner of disposition by Lockheed Martin set forth in the Registration Statement, the Prospectus or the supplement, as the case may be. COMSAT shall notify Lockheed Martin, at any time when a Prospectus with respect to the Transaction Registrable Shares is required to be delivered under the Securities Act, when COMSAT becomes aware of the happening of any event as a result of which the Prospectus (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the Prospectus or any preliminary prospectus, in light of the circumstances under which they were made) not misleading and, as promptly as practicable thereafter, prepare and file with the SEC an amendment or supplement to the Registration Statement or the Prospectus so that, as thereafter delivered to the purchasers of such Transaction Registrable Shares, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. COMSAT shall make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the Registration Statement at the earliest possible moment. Notwithstanding anything in the foregoing to the contrary, if, in the opinion of counsel for COMSAT, there shall have arisen any legal impediment to the offer of the Transaction Registrable Shares made by the Prospectus or if any legal action or administrative proceeding shall have been instituted or threatened or any other claim shall have been made relating to the offer made by the Prospectus or against any of the parties involved in the offer, COMSAT may at any time upon written notice to Lockheed Martin (i) terminate the effectiveness of the Registration Statement or (ii) withdraw from the Registration Statement the Transaction Registrable Shares; provided that, (A) if the registration was
----
requested under Section 1 hereof it shall not count as the use of such right unless all securities registered thereunder are sold and (B) if the registration was requested under Section 1 hereof, COMSAT shall pay, in addition to the expenses set forth in Section 5 hereof, any expenses incurred by Lockheed Martin in connection with such registration.

(f) If requested by Lockheed Martin or an underwriter of Transaction Registrable Shares, COMSAT shall as promptly as practicable prepare and file with the SEC an amendment or supplement to the Registration Statement or the Prospectus containing such information as required by Law to be set forth therein as Lockheed Martin or the underwriter requests to be included therein, including, without limitation, information with respect to the Transaction Registrable Shares being sold by Lockheed Martin to the underwriter, the purchase price being paid therefor by such underwriter and other terms of the underwritten offering of the Transaction Registrable Shares to be sold in such offering.

(g) Lockheed Martin shall report to COMSAT distributions made by Lockheed Martin of Transaction Registrable Shares pursuant to the Prospectus and, upon written notice by COMSAT that an event has occurred as a result of which an amendment or supplement to the Registration Statement or the Prospectus is required, Lockheed Martin shall cease further distributions pursuant to the Prospectus until notified by COMSAT of the effectiveness of the amendment or supplement. Lockheed Martin shall distribute Transaction Registrable Shares only in accordance with the manner of distribution contemplated by the Prospectus with respect to the Transaction Registrable Shares. Lockheed Martin, by participating in a registration pursuant to this Agreement, acknowledges that the remedies of COMSAT at Law for failure by Lockheed Martin to comply with the undertaking contained in this paragraph (g) would be inadequate and that the failure would not be adequately compensable in damages and would cause irreparable harm to COMSAT, and therefore agrees that undertakings made by Lockheed Martin in this paragraph (g) may be specifically enforced.

(h) If the registration is made pursuant to Section 2 hereof and the registration involves an underwritten offering, in whole or in part, COMSAT may require the Transaction Registrable Shares to be included in such underwriting on the same terms and conditions as shall be applicable to the other securities being sold through underwriters in the registration. In that event, Lockheed Martin shall be a party to the related underwriting agreement.

(i) If the registration involves an underwritten offering, (i) at the request of Lockheed Martin or COMSAT, COMSAT and Lockheed Martin shall enter into an appropriate underwriting agreement with respect to the Transaction Registrable Shares containing terms and provisions customary in agreements of that nature, including, without limitation, provisions with respect to indemnification and contribution of underwriters substantially the same as those set forth in Section 6 hereof, (ii) COMSAT shall make such representations and warranties, and deliver such certificates with respect thereto, to Lockheed Martin and each underwriter of such Transaction Registrable Shares, and in each case in such form, substance and scope, as are customarily made by issuers to underwriters in primary underwritten offerings, (iii) COMSAT shall obtain and deliver to Lockheed Martin and each underwriter opinions of counsel to COMSAT and updates thereof (which counsel and opinions (in form, substance and scope) shall be reasonably satisfactory to the managing underwriter in such offering) addressed to Lockheed Martin and such underwriters with respect to matters customarily covered by such opinions requested in underwritten offerings and such other matters as may reasonably be requested by Lockheed Martin or such underwriters, (iv) COMSAT shall obtain and deliver to Lockheed

Martin and each underwriter "cold comfort" letters and updates thereof from the independent certified public accountants of COMSAT (and, if necessary, any other independent certified public accountants of any Subsidiary of COMSAT or of any business of COMSAT for which financial statements and financial data are, or required to be, included in the Registration Statement), addressed to Lockheed Martin and such underwriters, in customary form and substance, with respect to matters customarily covered by "cold comfort" letters in connection with primary underwritten offerings, (v) COMSAT shall enter into such agreements and take such other actions as Lockheed Martin on advice of the underwriters, or the underwriters may reasonably request in order to expedite or facilitate the disposition of such Registrable Shares, including, without limitation, making members of senior management available for, preparing for, and participating in, such number of "road shows," investor conference calls and all such other customary selling efforts as Lockheed Martin on advice of the underwriters, or the underwriters shall reasonably request in order to expedite or facilitate the disposition of such Registrable Shares and (vi) COMSAT shall prepare or obtain, and deliver to Lockheed Martin and the underwriters, such other documents as may reasonably be requested by Lockheed Martin or such underwriters.

(j) Prior to sales of such Transaction Registrable Shares, COMSAT shall cooperate with Lockheed Martin and each underwriter of Transaction Registrable Shares to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing the Transaction Registrable Shares to be sold under the Registration Statement, and to enable such Transaction Registrable Shares to be in such denominations and registered in such names as Lockheed Martin or the underwriter may request.

(k) COMSAT shall use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first calendar month after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

(l) COMSAT shall take all action required to cause the Transaction Registrable Shares to be listed on each national securities exchange on which the COMSAT Common Stock shall then be listed, if any, or to be qualified for inclusion in the NASDAQ/National Market System, if the COMSAT Common Stock is then so qualified, and in each case if the listing or inclusion of the Transaction Registrable Shares is then permitted under the rules of such national securities exchange or the NASD, as the case may be.

(m) For the purposes of this Agreement, the following terms shall have the following meanings:

(i) "PROSPECTUS" means (A) the prospectus relating to the Transaction Registrable Shares included in a Registration Statement, (B) if a prospectus relating to the Transaction Registrable Shares shall be filed with the SEC pursuant to Rule 424 (or

any similar provision then in force) under the Securities Act, such prospectus, and (C) in the event of any amendment or supplement to the prospectus after the effective date of the Registration Statement, then from and after the effectiveness of the amendment or the filing with the SEC of the supplement, the prospectus as so amended or supplemented;

(ii) "REGISTRATION STATEMENT" means (A) a registration statement filed by COMSAT in accordance with Section 3(d) hereof, including exhibits and financial statements thereto, in the form in which it shall become effective, the documents incorporated by reference therein pursuant to Item 12 of Form S-3 (or any similar provision or forms then in force) under the Securities Act and information deemed to be a part of such registration statement pursuant to paragraph (b) of Rule 430A (or any similar provision then in force) and (B) in the event of any amendment thereto after the effective date of the registration statement, then from and after the effectiveness of the amendment, the registration statement as so amended; and

(iii) information "CONTAINED", "INCLUDED" or "STATED" in a Registration Statement or a Prospectus (or other references of like import) includes information incorporated by reference.

SECTION 4. BLACKOUT PROVISIONS.

(a) Subject to the provisions of paragraph (b) below, by delivery of written notice to Lockheed Martin, stating which one or more of the circumstances in paragraph (b) below shall apply to Lockheed Martin, COMSAT may postpone effecting a registration under this Agreement pursuant to this Section 4 or require Lockheed Martin to refrain from otherwise disposing of any Registrable Shares (whether pursuant to Rule 144 or 144A under the Securities Act or otherwise), for a reasonable period specified in the notice but not exceeding two 90 day periods in any 12 month period (which periods may not be extended or renewed); provided, that if COMSAT postpones effecting a registration hereunder pursuant to clause (i) of paragraph (b) below, then the next such blackout period shall not commence until COMSAT has effected the registration so postponed and the Registrable Shares registered thereunder have been distributed and if COMSAT requires Lockheed Martin to refrain from otherwise disposing of any Registrable Shares, then the next such blackout period shall not come until 90 days after the expiration of the previous such period.

(b) COMSAT may postpone effecting a registration or apply to Lockheed Martin any of the limitations specified in paragraph (a) above only if (i) an investment banking firm of recognized national standing shall advise COMSAT in writing that effecting the registration or the disposition by Lockheed Martin of Registrable Shares would materially and adversely affect an offering of Equity Securities of COMSAT the preparation of which had then been commenced or (ii) COMSAT is in possession of material non-public information the disclosure of which during the period specified in such notice COMSAT reasonably believes in good faith would not be in the best interests of COMSAT.

SECTION 5. EXPENSES.

(a) In connection with the registration of Transaction Registrable Shares pursuant to this Agreement, whether or not any related Registration Statement shall become effective (except in connection with a registration under Section 1 where such registration is withdrawn because Lockheed Martin determines not to proceed with such registration for any reason other than pursuant to Section 1(c)(iii)), COMSAT shall bear all expenses of the following:

(i) preparing, printing and filing each Registration Statement and Prospectus and each qualification or notice required to be filed under federal and state securities Laws or the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD") in connection with a registration pursuant to Section 1 hereof;

(ii) furnishing to Lockheed Martin one executed copy of the related Registration Statement and the number of copies of the related Prospectus that may be required by Section 3(e) hereof to be so furnished, together with a like number of copies of each amendment, post-effective amendment or supplement;

(iii) performing its obligations under Section 3(e) hereof;

(iv) printing and issuing share certificates, including the transfer agent's fees, in connection with each distribution so registered;

(v) preparing audited financial statements required by the Securities Act to be included in the Registration Statement and preparing audited financial statements for use in connection with the registration other than audited financial statements required by the Securities Act;

(vi) internal and out-of-pocket expenses of COMSAT and its employees (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties);

(vii) listing of the Registrable Shares on national securities exchanges or inclusion of the Registrable Shares on the NASDAQ/National Market System; and

(viii) fees and expenses of any special experts retained by COMSAT in connection with the registration.

(b) Lockheed Martin shall bear all other expenses incident to the distribution by Lockheed Martin of the Registrable Shares owned by it in connection with a registration pursuant to this Agreement, including without limitation the selling expenses of Lockheed Martin, commissions, underwriting discounts, insurance, fees of counsel for Lockheed Martin and its underwriters.

SECTION 6. INDEMNIFICATION

(a) COMSAT shall indemnify and hold harmless Lockheed Martin, each underwriter of Transaction Registrable Shares to be distributed pursuant to a registration pursuant to this Agreement, the officers, directors, employees and agents of Lockheed Martin and the underwriter and each Person, if any, who controls Lockheed Martin or the underwriter within the meaning of Section 15 (or any successor provision) of the Securities Act, and their respective successors, against all claims, losses, damages and liabilities to third parties (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in the Registration Statement or the Prospectus or other document incident thereto or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse Lockheed Martin and each other Person indemnified pursuant to this Section 6(a) for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action;

provided that COMSAT shall not be liable in any case to the extent that any such claim, loss, damage or liability arises out of or is based upon:

(i) any untrue statement or omission based upon written information furnished to COMSAT by Lockheed Martin or the underwriter of such Transaction Registrable Shares specifically for use in the Registration Statement or the Prospectus, or

(ii) Lockheed Martin's failure to comply with any Prospectus delivery requirements.

(b) Lockheed Martin, by participating in a registration pursuant to this Agreement, thereby agrees to indemnify and to hold harmless COMSAT and its officers, directors, employees, agents and the underwriter and each Person, if any, who controls any of them within the meaning of Section 15 (or any successor provision) of the Securities Act, and their respective successors, against all claims, losses, damages and liabilities to third parties (or actions in respect thereof) arising out of or based upon:

(i) any untrue statement (or alleged untrue statement) of a material fact contained in the Registration Statement or the Prospectus or other document incident thereto or any 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) Lockheed Martin's failure to comply with any Prospectus delivery requirements,

and shall reimburse COMSAT and each other Person indemnified pursuant to this Section 6(b) for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided that this Section 6(b) shall apply only with respect to claims, losses, damages and liabilities arising out of or based upon

the matters set forth at clause (i) above if (and only to the extent that) the statement or omission was made in reliance upon and in conformity with information furnished to COMSAT in writing by Lockheed Martin specifically for use in the Registration Statement or the Prospectus.

(c) If any action or proceeding (including any governmental investigation or inquiry) shall be brought, asserted or threatened against any Person indemnified under this Section 6, the indemnified Person shall promptly notify the indemnifying Person in writing, and the indemnifying Person shall assume the defense of the action or proceeding, including the employment of counsel reasonably satisfactory to the indemnified Person and the payment of all expenses. The indemnified Person shall have the right to employ separate counsel in any action or proceeding and to participate in the defense of the action or proceeding, but the fees and expenses of that counsel shall be at the expense of the indemnified Person unless:

(i) the indemnifying Person shall have agreed to pay those fees and expenses; or

(ii) the indemnifying Person shall have failed to assume the defense of the action or proceeding or shall have failed to employ counsel reasonably satisfactory to the indemnified Person in the action or proceeding; or

(iii) the named parties to the action or proceeding (including any impleaded parties) include both the indemnified Person and the indemnifying Person, and the indemnified Person shall have been advised by counsel that there may be one or more legal defenses available to the indemnified Person that are different from or additional to those available to the indemnifying Person (in which case, if the indemnified Person notifies the indemnifying Person in writing that it elects to employ separate counsel at the expense of the indemnifying Person, the indemnifying Person shall not have the right to assume the defense of such action or proceeding on behalf of the indemnified Person; it being understood, however, that the indemnifying Person shall not, in connection with any one action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys at any time for the indemnified Person, which firm shall be designated in writing by the indemnified Person).

The indemnifying Person shall not be liable for any settlement of any action or proceeding effected without its written consent, but if settled with its written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the indemnifying Person shall indemnify and hold harmless the indemnified Person from and against any loss or liability by reason of the settlement or judgment.

(d) If the indemnification provided for in this Section 6 is unavailable to an indemnified Person (other than by reason of exceptions provided in this Section 6) in respect of losses, claims, damages, liabilities or expenses referred to in this Section 6, then each applicable

indemnifying Person, in lieu of indemnifying the indemnified Person, shall contribute to the amount paid or payable by the indemnified Person as a result of the losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying Person on the one hand and of the indemnified Person on the other in connection with the statements or omissions which resulted in the losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative fault of the indemnifying Person on the one hand and of the indemnified Person on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the indemnifying Person or by the indemnified Person and by these Persons' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding sentence. The amount paid or payable by a Person as a result of the losses, claims, damages, liabilities and expenses shall be deemed to include any legal or other fees or expenses reasonably incurred by the Person in connection with investigating or defending any action or claim. Notwithstanding the foregoing, neither Lockheed Martin nor any underwriter of Transaction Registrable Shares shall be required to contribute any amount in excess of the amount by which (i) in the case of Lockheed Martin, the net proceeds received by Lockheed Martin from the sale of Transaction Registrable Shares or (ii) in the case of the underwriter, the total price at which such Transaction Registrable Shares purchased by it and distributed to the public were offered to the public exceeds, in any such case, the amount of any damages that Lockheed Martin or such underwriter, as the case may be, has otherwise been required to pay by reason of any untrue or alleged untrue statement or omission. 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 is not guilty of such fraudulent misrepresentation.

(e) Lockheed Martin shall cause each underwriter of any Transaction Registrable Shares to be distributed pursuant to a registration pursuant to Section 1 hereof to agree in writing on terms reasonably satisfactory to COMSAT to indemnify and to hold harmless COMSAT and its officers and directors and each Person, if any, who controls any of them within the meaning of Section 15 (or any successors provision) of the Securities Act, and their respective successors, against all claims, losses, damages and liabilities to third parties (or actions in respect thereof) arising out of or based upon:

(i) any untrue statement (or alleged untrue statement) of a material fact contained in the Registration Statement or the Prospectus or other document incident thereto or any 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) such underwriter's failure to comply with applicable Prospectus delivery requirements,

and shall reimburse COMSAT and each other Person indemnified pursuant to this Section 6(e) for any legal and any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action; provided that the agreement shall apply only with respect to claims, losses, damages and liabilities arising out of or based upon the matters set forth at clause (i) above if (and only to the extent that) the statement or omission was made in reliance upon and in conformity with information furnished to COMSAT in writing by such underwriter specifically for use in the Registration Statement or the Prospectus.

SECTION 7. EXEMPT SALES. COMSAT shall make all filings with the SEC required by paragraph (c) of Rule 144 (or any similar provision then in force) under the Securities Act to permit the sale of Registrable Shares by any holder thereof (other than an Affiliate of COMSAT) to satisfy the conditions of Rule 144 (or any similar provision then in force). COMSAT shall, promptly upon the written request of the holder of Registrable Shares, deliver to such holder a written statement as to whether COMSAT has complied with all such filing requirements.

SECTION 8. MERGER, CONSOLIDATION, EXCHANGE, ETC. In the event, directly or indirectly, (1) COMSAT shall merge with and into, or consolidate with, or consummate a share exchange with, any other Person, or (2) any Person shall merge with and into, or consolidate with COMSAT and COMSAT shall be the surviving corporation of such merger or consolidation and, in connection with such merger or consolidation, all or part of the Registrable Shares shall be changed into or exchanged for stock or other securities of any other Person, then, in each such case, proper provision shall be made so that such other Person shall be bound by the provisions of this Agreement and the term "COMSAT" shall thereafter be deemed to refer to such other Person.

SECTION 9. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (and shall be deemed to have been duly received if so given) if (i) personally delivered, (ii) sent by postage prepaid certified or registered mail, return receipt requested, (iii) sent by recognized overnight courier, or (iv) transmitted by telecopier, with a copy sent by postage prepaid certified or registered mail, return receipt requested, or by recognized overnight courier addressed to the respective parties as set forth in Section 8.4 of the Merger Agreement.

SECTION 10. NO WAIVERS; REMEDIES. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver of such right, power or privilege. A single or partial exercise of any right, power or privilege shall not preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies available at law or in equity.

SECTION 11. AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by a party to this Agreement from any provision of this Agreement, shall be effective unless it shall be in writing

and signed and delivered by the other party to this Agreement, and then it shall be effective only in the specific instance and for the specific purpose for which it is given.

SECTION 12. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns.

SECTION 13. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware. All rights and obligations of the parties shall be in addition to and not in limitation of those provided by applicable law.

SECTION 14. COUNTERPARTS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were on the same instrument.

SECTION 15. SEVERABILITY OF PROVISIONS. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of the provision in any other jurisdiction.

SECTION 16. HEADINGS AND REFERENCES. Section headings in this Agreement are included for the convenience of reference only and do not constitute a part of this Agreement for any other purpose. References to parties and sections in this Agreement are references to the parties to or the sections of this Agreement, as the case may be, unless the context shall require otherwise.

SECTION 17. ENTIRE AGREEMENT. This Agreement embodies the entire agreement and understanding of the parties and supersedes all prior agreements or understandings with respect to the subject matters of this Agreement.

SECTION 18. SURVIVAL. Except as otherwise specifically provided in this Agreement, each representation, warranty or covenant of each party contained in to this Agreement shall remain in full force and effect, notwithstanding any investigation or notice to the contrary or any waiver by the other party of a related condition precedent to the performance by such other party of an obligation under this Agreement.

SECTION 19. EXCLUSIVE JURISDICTION. Each party (i) agrees that any action with respect to this Agreement or transactions contemplated by this Agreement shall be brought exclusively in the courts of the State of Delaware or of the United States of America for the State of Delaware, (ii) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, (iii) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non

conveniens, which it may now or hereafter have to the bringing of any action in those jurisdictions; provided, however, that each party may assert in an action in any other jurisdiction or venue each mandatory defense, third-party claim or similar claim that, if not so asserted in such action, may not be asserted in an original action in the courts referred to in clause (i) above. Lockheed Martin and COMSAT each hereby appoints Corporation Trust Company as its agent for service of process in the State of Delaware in connection with any such action.

SECTION 20. WAIVER OF JURY TRIAL. Each party waives any right to a trial by jury in any action to enforce or defend any right under this Agreement or any amendment, instrument, document or agreement delivered, or which in the future may be delivered, in connection with this Agreement and agrees that any action shall be tried before a court and not before a jury.

SECTION 21. NON-RECOURSE. No recourse under this Agreement shall be had against any "controlling person" (within the meaning of Section 20 of the Exchange Act) of Lockheed Martin or COMSAT or the respective shareholders, directors, officers, employees, agents and affiliates of Lockheed Martin or COMSAT or such controlling persons, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by such controlling person, shareholder, director, officer, employee, agent or affiliate, as such, for any obligations of Lockheed Martin or COMSAT, as the case may be, under this Agreement or for any claim based on, in respect of or by reason of such obligations or their creation.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Registration Rights Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

COMSAT CORPORATION

By: /s/ Allen E. Flower

Name: Allen E. Flower
Title: Vice President and
Chief Financial Officer

LOCKHEED MARTIN CORPORATION

By: /s/ Vance D. Coffman

Name: Vance D. Coffman
Title: Chairman and
Chief Executive Officer

SHAREHOLDERS AGREEMENT

SHAREHOLDERS AGREEMENT (this "AGREEMENT") dated as of September 18, 1998 between COMSAT CORPORATION, a District of Columbia corporation ("COMSAT") and LOCKHEED MARTIN CORPORATION, a Maryland corporation ("LOCKHEED MARTIN").

Terms not otherwise defined herein have the respective meanings assigned in the Merger Agreement (as defined below).

RECITALS

A. Pursuant to an Agreement and Plan of Merger dated as of September 18, 1998 (as amended or modified from time to time, the "MERGER AGREEMENT"), among COMSAT, Lockheed Martin and Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Lockheed Martin ("ACQUISITION SUB"), Lockheed Martin, acting through a wholly-owned single member Delaware limited liability company ("OFFER SUBSIDIARY"), has agreed to commence an offer to purchase for cash (the "OFFER") shares of COMSAT's common stock, without par value (the "COMSAT COMMON STOCK"). The shares of COMSAT Common Stock to be acquired by Offer Subsidiary in the Offer are hereinafter referred to as the "SHARES".

B. In order to induce each other to enter into the Merger Agreement, COMSAT and Lockheed Martin have agreed to enter into this Agreement concurrent therewith.

AGREEMENT

The parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 The following terms have the following meanings:

(a) "BENEFICIAL OWNERSHIP" or similar terms has the meaning assigned to the term "beneficial ownership" in Section 13(d) of the Exchange Act.

(b) "EXPIRATION DATE" has the meaning stated in Section 5.1.

(c) "GROUP" has the meaning given such term in Section 13(d)(3) of the Exchange Act and the related rules and regulations.

(d) "MERGER TERMINATION DATE" means the date upon which the Merger Agreement is terminated prior to the Effective Time pursuant to Section 7.1 thereof.

(e) "OFFER CLOSING DATE" means the date on which Offer Subsidiary acquires Shares pursuant to the Offer.

ARTICLE II

COMSAT COVENANTS

SECTION 2.1 BOARD OF DIRECTORS. Promptly after the Offer Closing Date but in any event within thirty (30) days thereafter and from time to time thereafter, COMSAT shall take all actions necessary to cause (i) the election as directors of COMSAT of three individuals selected by Lockheed Martin (collectively, the "LOCKHEED MARTIN DESIGNEES"), (ii) the appointment of a Lockheed Martin Designee as a member of the Committee on Audit, Corporate Responsibility and Ethics, the Committee on Compensation and Management Development, the Finance Committee, the Nominating and Corporate Governance Committee, the Committee on Research and International Matters and the Strategic Planning Committee (or committees having similar functions) of COMSAT's Board of Directors (collectively, the "COMMITTEES"), and (iii) if any such Lockheed Martin Designee shall cease to be a director for any reason, the filling of the vacancy resulting thereby with an individual selected by Lockheed Martin (such individual thereafter being a Lockheed Martin Designee). Any Lockheed Martin officer or employee serving as a director of COMSAT will be deemed a Lockheed Martin Designee. Notwithstanding the foregoing, with respect to any election of directors at any meeting of shareholders of COMSAT that occurs after the Offer Closing Date, COMSAT shall be deemed to have satisfied its obligations under clause (i) of the foregoing sentence if the three Lockheed Martin Designees are included on COMSAT's slate of nominees for election at such meeting of shareholders. COMSAT further agrees not to amend or repeal the provisions of Section 3.08 of COMSAT's by-laws permitting any three directors to call a special meeting of the board of directors.

SECTION 2.2 RESTRICTIONS ON COMSAT.

From the Merger Termination Date to the Expiration Date, unless Lockheed Martin has consented thereto in writing (such consent not to be unreasonably withheld or delayed), COMSAT:

(a) shall not amend its Articles of Incorporation or By-laws in a manner that would adversely affect the rights of Lockheed Martin or its Subsidiaries under this Agreement or the Registration Rights Agreement; and

(b) shall not impose limitations (not already in existence on the date hereof), not imposed on other shareholders of COMSAT, on the enjoyment by any of Lockheed Martin and its Subsidiaries of the legal rights generally enjoyed by shareholders of COMSAT.

SECTION 2.3 ACCESS TO INFORMATION.

From the Offer Closing Date to the Expiration Date, COMSAT shall:

(a) promptly furnish to Lockheed Martin all information that is required by GAAP to enable Lockheed Martin to account for its investment in COMSAT under the equity method. To the extent reasonably requested by Lockheed Martin, COMSAT shall, and shall cause its employees, independent public accountants and other representatives to, provide information regarding COMSAT to, and otherwise cooperate with, Lockheed Martin and the representatives of Lockheed Martin so as to enable Lockheed Martin to prepare financial statements in accordance with GAAP; and

(b) upon the request of Lockheed Martin from time to time, promptly disclose to Lockheed Martin the number of shares of COMSAT Common Stock issued and outstanding on a date not more than 5 days prior to the date of such request and the number of shares of COMSAT Common Stock subject to issuance upon the conversion, exercise or exchange of Equity Securities of COMSAT outstanding on such date.

SECTION 2.4 AMENDMENT TO ARTICLES OF INCORPORATION REGARDING DISPOSITION OF SHARES. COMSAT shall cause its Board of Directors, at a meeting duly called and held within thirty days of a request by Lockheed Martin, to duly adopt resolutions (i) to approve an amendment to COMSAT's Articles of Incorporation to eliminate the transfer restrictions set forth in Section 503(c) of COMSAT's Articles of Incorporation (the "AMENDMENT") (and any corresponding changes to COMSAT's by-laws), which approval shall constitute approval of the Amendment by the Board of Directors of COMSAT for purposes of Section 29-354 of the DCBCA, (ii) to direct that the Amendment be submitted to a vote of the shareholders of COMSAT, which direction shall constitute the direction required by Section 29-354 of the DCBCA, and (iii) to recommend approval of the Amendment by the shareholders of COMSAT, which approval, if obtained, will constitute approval of the Amendment by such shareholders for purposes of Section 29-354 of the DCBCA. COMSAT shall, at such time or times as determined by Lockheed Martin (after consultation with COMSAT), duly call, give notice of, convene, hold, postpone, adjourn and reconvene a meeting or meetings of its shareholders (which shall be the next regularly scheduled annual meeting of shareholders, if such meeting is to be held within 120 days of the request by Lockheed Martin) for the purpose of considering and taking action with respect to the Amendment and otherwise use its reasonable efforts to secure the adoption and implementation of the Amendment, and the Board of Directors of COMSAT shall recommend adoption of the Amendment by the shareholders of COMSAT.

ARTICLE III

LOCKHEED MARTIN PURCHASE AND SALE RESTRICTIONS

SECTION 3.1 LOCKHEED MARTIN PURCHASE RESTRICTIONS.

(a) Other than pursuant to the transactions contemplated by the Merger Agreement, Lockheed Martin shall not, and shall not cause or permit its affiliates or any Group including Lockheed Martin or any of its affiliates to, acquire shares of COMSAT Common Stock, which when combined with shares of COMSAT Common Stock then owned by Lockheed Martin and its Subsidiaries, after giving effect to the Offer, would result in Lockheed Martin beneficially owning more than 49% of the shares of COMSAT Common Stock then issued and outstanding, except pursuant to a transaction or series of transactions at prices and on terms approved by the Board of Directors of COMSAT and pursuant to which Lockheed Martin or its Subsidiaries propose to acquire all of the issued and outstanding COMSAT Common Stock not owned by Lockheed Martin or its Subsidiaries.

(b) Nothing in this Section 3.1 shall require Lockheed Martin or its Subsidiaries to transfer any shares of COMSAT Common Stock if the aggregate percentage ownership of Lockheed Martin and its Subsidiaries is increased as a result of any action taken by COMSAT or its Subsidiaries including, without limitation, by reason of any reclassification, recapitalization, stock split, reverse stock split, combination or exchange of shares, redemption, repurchase or cancellation of shares or any other similar transaction.

SECTION 3.2 LOCKHEED MARTIN SALE RESTRICTIONS.

(a) Lockheed Martin shall not, and shall not cause or permit its affiliates or any Group including Lockheed Martin or any of its wholly-owned Subsidiaries to sell, transfer, assign, pledge, hypothecate or otherwise dispose of the beneficial ownership of shares of COMSAT Common Stock (any such act, a "TRANSFER") except in compliance with all applicable requirements of Law and upon the receipt of necessary approvals of any Governmental Authority.

(b) Other than a Transfer which has been approved by the Board of Directors of COMSAT, Lockheed Martin shall not, and shall not cause or permit its Subsidiaries or any Group including Lockheed Martin or any of its Subsidiaries to Transfer any Shares, other than in one or more of the following transactions:

(i) each Transfer in a bona fide public offering of COMSAT Common Stock pursuant to a registration statement effective under the Securities Act;

(ii) each Transfer in a bona fide open market "brokers' transaction" as permitted by the provisions of Rule 144 (or any successor provision) under the Securities Act;

(iii) each Transfer in a block to any Person or Group, other than a direct, substantial competitor with the core business of COMSAT, of a number of Shares comprising 5% or more, but less than 10%, of the shares of COMSAT Common Stock then issued and outstanding; provided, however, that no more than two such block Transfers shall be permitted;

(iv) each Transfer in a block to any Person or Group, other than a direct, substantial competitor with the core business of COMSAT, of a number of Shares comprising less than 5% of the shares of COMSAT Common Stock then issued and outstanding; and

(v) each Transfer pursuant to a tender or exchange offer for outstanding shares of COMSAT Common Stock made by any Person which the Board of Directors of COMSAT does not oppose.

(c) Subject to Section 3.2(a), nothing in this Agreement shall prevent Lockheed Martin and its wholly-owned Subsidiaries from Transferring any Shares to and among each other, provided that any such transferee shall agree in writing to be bound hereby.

SECTION 3.3 OTHER RESTRICTIONS. From the Merger Termination Date until the Expiration Date, neither Lockheed Martin nor any of its Subsidiaries shall, without the approval of the board of directors of COMSAT, (i) take any actions with respect to an acquisition proposal involving COMSAT that would require COMSAT to make a public announcement, (ii) make any public comment or proposal with respect to any acquisition proposal involving COMSAT, (iii) become a member of a Group (other than a Group comprised solely of Lockheed Martin and its Subsidiaries), (iv) solicit proxies or initiate, propose or become a participant in a solicitation (as such terms are defined in Regulation 14A under the Exchange Act) with respect to COMSAT in opposition to any matter which has been recommended by the Board of Directors of COMSAT or in favor of any matter which has not been approved by the Board of Directors of COMSAT, or (v) enter into any discussions, negotiations, arrangements or understandings with any third party with respect to any of the foregoing.

SECTION 3.4 NO CONTROL. Lockheed Martin shall not and shall not permit any of its Subsidiaries to, directly or indirectly, control, supervise or direct, or attempt to control, supervise or direct, the operations of COMSAT or of any common carrier activities or licensed facilities authorized by the FCC, in contravention of applicable Law.

ARTICLE IV

RESTRICTIONS ON SHARES

SECTION 4.1 LEGENDS.

(a) Except as provided to the contrary in this Section 4.1, from the Offer Closing Date and for so long thereafter as this Agreement remains in effect, each instrument or certificate evidencing or representing Shares, and any instrument or certificate issued in exchange therefor or upon conversion, exercise or transfer thereof, shall bear a legend substantially to the following effect, mutatis mutandis:

"The shares of Common Stock represented by this certificate are subject to the restrictions stated in a Shareholders Agreement dated as of September 18, 1998, a copy of which is on file at the office of the Secretary of COMSAT."

(b) In connection with the transfer of any Shares to any Person (other than any affiliate or any Group including Lockheed Martin or any of its Subsidiaries or affiliates), and in any event from and after the date on which this Agreement terminates pursuant to Article V, COMSAT shall, as soon as practicable following the receipt by COMSAT of any instruments or certificates evidencing or representing Shares and bearing the legend stated in Section 4.1(a), and in any event within 2 business days following the date of such receipt, issue and deliver to the record owner of such Shares, or to its registered transferee, instruments or certificates evidencing or representing such Shares without such legend.

ARTICLE V

TERMINATION

SECTION 5.1 TERMINATION. This Agreement shall terminate upon the first to occur (the "EXPIRATION DATE") of (i) the consummation of the Merger, (ii) if the Offer Closing Date does not occur prior to the termination of the Merger Agreement, the Merger Termination Date, or (iii) if the Offer Closing Date occurs and, thereafter, the Merger Agreement is terminated without the Merger having been consummated, then the earlier of (A) the fifth anniversary of the Merger Termination Date, and (B) the date upon which Lockheed Martin beneficially owns less than 10% of the shares of capital stock of COMSAT then issued and outstanding.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (and shall be deemed to have been duly received if so given) if (i) personally delivered, (ii) sent by postage prepaid certified or registered mail, return receipt requested, (iii) sent by recognized overnight courier, or (iv) transmitted by telecopier, with a copy sent by postage prepaid certified or registered mail, return receipt requested, or by recognized overnight courier addressed to the respective parties as set forth in Section 8.4 of the Merger Agreement.

SECTION 6.2 NO WAIVERS; REMEDIES; SPECIFIC PERFORMANCE.

(a) No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver of such right, power or privilege. A single or partial exercise of any right, power or privilege shall not preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies available at law or in equity.

(b) In view of the uniqueness of the agreements contained in this Agreement and the transactions contemplated hereby and the fact that each party would not have an adequate remedy at law for money damages in the event that any obligations under this Agreement is not performed in accordance with its terms, each party therefore agrees that the other parties to this Agreement shall be entitled to specific enforcement of the terms of this Agreement in addition to any other remedy to which any of them may be entitled, at law or in equity.

SECTION 6.3 AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by a party to this Agreement from any provision of this Agreement, shall be effective unless it shall be in writing and signed and delivered by the other party to this Agreement, and then it shall be effective only in the specific instance and for the specific purpose for which it is given.

SECTION 6.4 SUCCESSORS AND ASSIGNS.

(a) No party may assign its rights or delegate its obligations under this Agreement without the prior written consent of the other party; provided that Lockheed Martin may assign, in its sole discretion, its rights and obligations hereunder to any of its wholly-owned Subsidiaries. Any assignment or delegation in contravention of this Section 6.4 shall be void ab initio, and any such delegation shall not relieve the delegating party of any of its obligations under this Agreement.

(b) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective permitted successors and assigns.

SECTION 6.5 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware except for COMSAT internal corporate matters, which shall be governed by the Laws of the jurisdiction of incorporation of COMSAT. All rights and obligations of the parties shall be in addition to and not in limitation of those provided by applicable law.

SECTION 6.6 COUNTERPARTS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were on the same instrument.

SECTION 6.7 SEVERABILITY OF PROVISIONS. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of the provision in any other jurisdiction.

SECTION 6.8 HEADINGS AND REFERENCES. Section headings in this Agreement are included for the convenience of reference only and do not constitute a part of this Agreement for any other purpose. References to parties and sections in this Agreement are references to the parties to or the sections of this Agreement, as the case may be, unless the context shall require otherwise.

SECTION 6.9 ENTIRE AGREEMENT. This Agreement embodies the entire agreement and understanding of the parties and supersedes all prior agreements or understandings with respect to the subject matters of this Agreement.

SECTION 6.10 SURVIVAL. Except as otherwise specifically provided in this Agreement, each representation, warranty or covenant of each party contained in to this Agreement shall remain in full force and effect, notwithstanding any investigation or notice to the contrary or any waiver by the other party of a related condition precedent to the performance by such other party of an obligation under this Agreement.

SECTION 6.11 EXCLUSIVE JURISDICTION. Each party (i) agrees that any action with respect to this Agreement or transactions contemplated by this Agreement shall be brought exclusively in the courts of the State of Delaware or of the United States of America for the State of Delaware, (ii) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, (iii) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any action in those jurisdictions; provided, however, that each party may assert in an action in any other jurisdiction or venue each mandatory defense, third-party claim or similar claim that, if not so asserted in

such action, may not be asserted in an original action in the courts referred to in clause (i) above. Lockheed Martin and COMSAT each hereby appoints Corporation Trust Company as its agent for service of process in the State of Delaware in connection with any such action.

SECTION 6.12 WAIVER OF JURY TRIAL. Each party waives any right to a trial by jury in any action to enforce or defend any right under this Agreement or any amendment, instrument, document or agreement delivered, or which in the future may be delivered, in connection with this Agreement and agrees that any action shall be tried before a court and not before a jury.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Shareholders Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

COMSAT CORPORATION

By: /s/ Allen E. Flower

Name: Allen E. Flower
Title: Vice President and
Chief Financial Officer

LOCKHEED MARTIN CORPORATION

By: /s/ Vance D. Coffman

Name: Vance D. Coffman
Title: Chairman and
Chief Executive Officer

CARRIER ACQUISITION AGREEMENT

AGREEMENT OF MERGER (this "AGREEMENT") dated as of September 18, 1998 by and among COMSAT CORPORATION, a District of Columbia corporation ("COMSAT"), and LOCKHEED MARTIN CORPORATION, a Maryland corporation ("LOCKHEED MARTIN"), REGULUS, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Lockheed Martin ("OFFER SUBSIDIARY"), and COMSAT GOVERNMENT SYSTEMS, INC., a Delaware corporation and a wholly-owned subsidiary of COMSAT ("COMSAT CARRIER SUBSIDIARY").

Terms not otherwise defined herein have the meanings stated in the Merger Agreement (as defined below).

RECITALS

A. Pursuant to an Agreement and Plan of Merger dated as of September 18, 1998 (as amended or modified from time to time, the "MERGER AGREEMENT"), among COMSAT, Lockheed Martin, and Deneb Corporation, a Delaware corporation and a wholly-owned subsidiary of Lockheed Martin ("ACQUISITION SUB"), Lockheed Martin, acting through Offer Subsidiary, has agreed to commence an offer to purchase for cash up to approximately 49% of the issued and outstanding shares of COMSAT's common stock, without par value (the "SHARES").

B. COMSAT is the record and beneficial owner of 1,000 shares of common stock, par value $1.00 per share of COMSAT Carrier Subsidiary (the "COMSAT CARRIER SUBSIDIARY COMMON STOCK"), representing all of the issued and outstanding capital stock of COMSAT Carrier Subsidiary.

C. In order to facilitate the transactions contemplated by the Merger Agreement, the parties desire to consummate the Carrier Subsidiary Merger (as hereinafter defined) on the terms and conditions hereinafter set forth.

AGREEMENT

The parties agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1 DEFINITIONS. The following terms have the following meanings:

(a) "ACTION" means any action, complaint, counterclaim, investigation, petition, suit or other proceeding, whether civil or criminal, in law or in equity, or before any arbitrator or Governmental Authority.

(b) "BANDWIDTH MANAGEMENT ASSETS" means the monies paid or to be paid by the U.S. Government to COMSAT Carrier Subsidiary for the implementation, installation and system design of the Bandwidth Management Centers in Clarksburg, Maryland and Lanstuhl, Germany under the DISA/DITCO Contract (as hereinafter defined) (corresponding to Part B, subCLINs 0029AJ, 0029AS, and 0029AY of such contract), but excluding any monies to be paid for operations and maintenance thereof or U.S. Government options for additional Bandwidth Management Centers under the DISA/DITCO Contract that have not been exercised as of the Operative Time (as hereinafter defined).

(c) "BANDWIDTH MANAGEMENT LIABILITIES" means liabilities arising under the DISA/DITCO Contract to implement, install and provide system design services for the Bandwidth Management Centers in Clarksburg, Maryland and Lanstuhl, Germany (corresponding to Part B, subCLINs 0029AJ, 0029AS, and 0029AY of such contract), but excluding obligations to provide operations and maintenance services or other obligations that may arise upon the exercise by the U.S. Government of options for additional Bandwidth Management Centers under the DISA/DITCO Contract that have not been exercised as of the Operative Time.

(d) "COMMON CARRIER" means a common carrier within the meaning of 47 U.S.C. (S) 153(10) and the relevant implementing FCC regulations.

(e) "COMSAT CARRIER SUBSIDIARY BUSINESS" means the telecommunications business of COMSAT Carrier Subsidiary as a Common Carrier in connection with the performance by COMSAT Carrier Subsidiary under the DISA/DITCO Contract.

(f) "COMSAT RSI" means the Delaware corporation formerly known as COMSAT RSI, Inc., which prior to the COMSAT RSI Novation (as hereinafter defined) is a party to the DISA/DITCO Contract.

(g) "COMSAT RSI NOVATION" means the conveyance, transfer, assignment, assumption and novation by all parties to the DISA/DITCO Contract of COMSAT RSI's rights, claims, benefits, obligations and liabilities under the DISA/DITCO Contract to COMSAT Carrier Subsidiary.

(h) "COMSAT RSI SUBCONTRACT" means the subcontract dated May 29, 1998 between COMSAT Carrier Subsidiary and the Global Communication Systems division of COMSAT RSI as the same has been or is amended, modified or waived from time to time, pursuant to which COMSAT RSI will complete construction of additional "Bandwidth Management Centers" as required by the DISA/DITCO Contract.

(i) "COMSAT CARRIER SUBSIDIARY CONTRACTS" means the DISA/DITCO Contract, the COMSAT RSI Subcontract, and all other contracts or agreements (and all amendments, modifications and supplements thereto) to which COMSAT Carrier Subsidiary is a party or by which any of its Assets are bound that are material to its business or Assets.

(j) "DISA/DITCO CONTRACT" means (i) contract no. DCA200-95-D-0079 dated as of July 17, 1995 between the U.S. Defense Information Systems Agency/DITCO and COMSAT RSI, as the same has been or is amended, modified or waived from time to time and (ii) all purchase orders, subcontracts and other contracts relating thereto between COMSAT RSI and the U.S. Government, as the same have been or are amended, modified or waived from time to time.

(k) "DISA/DITCO CONTRACT NOVATION" means the conveyance, transfer, assignment, assumption and novation by all parties to the DISA/DITCO Contract of COMSAT Carrier Subsidiary's rights, claims, benefits, obligations and liabilities under the DISA/DITCO Contract to Offer Subsidiary, pursuant to instruments reasonably satisfactory in form and substance to COMSAT Carrier Subsidiary and Offer Subsidiary.

(l) "EXCLUDED LIABILITIES" means any and all Liabilities of COMSAT Carrier Subsidiary or any other Person other than the Transferred Liabilities (as hereinafter defined).

(m) "INDEMNIFIABLE CLAIM" means any Loss for or against which any party is entitled to indemnity under this Agreement.

(n) "INDEMNIFIED PARTY" means a party entitled to indemnity under this Agreement.

(o) "INDEMNIFYING PARTY" means a party obligated to provide indemnity under this Agreement.

(p) "LOSS" means any Action, cost, damage, disbursement, expense, liability, including any liability for Taxes, loss, deficiency, obligation, penalty or settlement of any kind or nature, whether foreseeable or unforeseeable, including, but not limited to, interest or other carrying costs, penalties, legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims and amounts paid in settlement, that may be imposed on or otherwise incurred or suffered by the specified Person.

(q) "TRANSFERRED LIABILITIES" means (i) Liabilities arising under, accruing or relating to periods, events or circumstances after the CSM Closing Date (as hereinafter defined)

which arise under, relate to or are in connection with the COMSAT Carrier Subsidiary Business, or the ownership, use, possession, enjoyment or operation thereof, and (ii) liabilities reflected on the statement of Net Assets Sold (as hereinafter defined) as of the CSM Closing Date as finally determined pursuant to Section 2.7 hereof; provided, however, that Transferred Liabilities shall not include (a) any cause of action or claim arising or accruing on or before the CSM Closing Date regardless of whether an Action thereon was commenced before or after the CSM Closing Date, (b) any liability for Taxes, whether Taxes of COMSAT Carrier Subsidiary or any other Person with respect to which COMSAT Carrier Subsidiary may be liable by Law (including, without limitation, Treasury Regulation (S) 1.1502-6), contract, or otherwise, relating to or attributable to its Assets or the operation of its businesses for any taxable period, or portion thereof, ending on or before the CSM Closing Date, including Taxes attributable to the Carrier Subsidiary Merger, or (c) any Liabilities transferred by COMSAT Carrier Subsidiary or cancelled pursuant to Sections 4.5, 4.6 or 4.7 hereof.

ARTICLE II

THE CARRIER SUBSIDIARY MERGER

SECTION 2.1 THE CARRIER SUBSIDIARY MERGER. Upon the terms and subject to the conditions hereof, and in accordance with the Delaware General Corporation Law (the "DGCL") and the Delaware Limited Liability Company Act (the "DLLCA" and, collectively with the DGCL, the "DELAWARE CODE"), at the Operative Time (as hereinafter defined) COMSAT Carrier Subsidiary shall be merged with and into Offer Subsidiary (the "CARRIER SUBSIDIARY MERGER") as soon as practicable following the satisfaction or waiver of the conditions set forth in Article V hereof or on such other date as the parties hereto may agree. At the Operative Time, the separate existence of COMSAT Carrier Subsidiary shall cease and Offer Subsidiary shall continue as the surviving entity under the name "COMSAT Government Systems, LLC" (the "SURVIVING ENTITY").

SECTION 2.2 OPERATIVE TIME; CLOSING. The Carrier Subsidiary Merger shall be consummated by filing with the Secretary of State of the State of Delaware a certificate of merger, executed and filed in accordance with the Delaware Code (the time the Carrier Subsidiary Merger becomes effective being referred to as the "OPERATIVE TIME"). The Carrier Subsidiary Merger shall be effective upon the latest to occur of (i) the acceptance for filing of the certificate of merger by the Secretary of State of the State of Delaware pursuant to the Delaware Code and (ii) the time, if any, specified as the effective time of the Carrier Subsidiary Merger in the certificate of merger filed in accordance with the Delaware Code. Prior to the filings referred to in this Section 2.2, a closing (the "CSM CLOSING") will be held at the offices of O'Melveny & Myers LLP, 555 13th Street, N.W., Suite 500 West, Washington, D.C. 20004-1109 (or such other place as the parties may agree), for the purpose of confirming all of the foregoing no later than the date that is ten (10) business days after satisfaction or waiver of all the conditions set forth in Article VI hereof, but in any event prior to the Offer Closing Time (the date of the CSM Closing herein referred to as the "CSM CLOSING DATE").

SECTION 2.3 EFFECTS OF THE CARRIER SUBSIDIARY MERGER. The Carrier Subsidiary Merger shall have the effects set forth in the Delaware Code. As of the Operative Time, the Surviving Entity shall be a wholly-owned Subsidiary of Lockheed Martin.

SECTION 2.4 CERTIFICATE OF FORMATION AND LIMITED LIABILITY COMPANY AGREEMENT. The Certificate of Formation and Limited Liability Company Agreement of Offer Subsidiary, each as in effect at the Operative Time, shall be the Certificate of Formation and Limited Liability Company Agreement of the Surviving Entity, until amended in accordance with applicable Law, except that Article FIRST of the Certificate of Formation shall be amended so that it reads in its entirety as follows: "The name of the limited liability company is COMSAT Government Systems, LLC".

SECTION 2.5 OFFICERS. The officers of Offer Subsidiary at the Operative Time shall be the initial officers of the Surviving Entity and will hold office from the Operative Time until their respective successors are duly elected or appointed and qualify in the manner provided in the Certificate of Formation and the Limited Liability Company Agreement of the Surviving Entity, or as otherwise provided by Law.

SECTION 2.6 EFFECT ON CAPITAL STOCK. At the Operative Time:

(a) All of the shares of COMSAT Carrier Subsidiary Common Stock issued and outstanding immediately prior to the Operative Time shall, by virtue of the Carrier Subsidiary Merger and without any action on the part of COMSAT, be converted into the right to receive an aggregate of $3,987,000 in cash (the "ESTIMATED PURCHASE PRICE") subject to adjustment as provided in this Section 2.6 (as so adjusted, the "PURCHASE PRICE") upon the surrender of the certificate formerly representing such shares of COMSAT Carrier Subsidiary Common Stock together with a stock power duly endorsed in blank. The Purchase Price shall be obtained by adjusting the Estimated Purchase Price, dollar for dollar, to the extent that the Net Assets Sold (as defined below) as of the CSM Closing Date are less than or greater than $3,987,000.

As used herein, "NET ASSETS SOLD" means, as of any date, the book value of the current assets (excluding cash) minus the current liabilities of COMSAT Carrier Subsidiary, in each case as shown on COMSAT Carrier Subsidiary's books as of such date, calculated in accordance with GAAP consistently applied, and in each case after deducting (i) any Assets or Liabilities that are to be transferred to or assumed by another Person pursuant to Sections 4.5 or 4.6 hereof, and (ii) any intercompany balances to be cancelled pursuant to Section 4.7.

(b) Each limited liability company interest of Offer Subsidiary issued and outstanding immediately prior to the Operative Time shall by virtue of the Carrier Subsidiary Merger and without any action on the part of the holder thereof remain outstanding.

SECTION 2.7 DELIVERY OF PURCHASE PRICE. Subject to the terms and conditions set forth herein, at the CSM Closing, COMSAT shall, upon the surrender of certificate(s) formerly representing all of the issued and outstanding shares of COMSAT Carrier Subsidiary

Common Stock as of the CSM Closing Date together with stock powers duly endorsed in blank, receive the Estimated Purchase Price in immediately available funds by wire transfer to an account designated by COMSAT in a written notice delivered to Lockheed Martin at least two days prior to the CSM Closing.

Not later than 20 business days following the CSM Closing Date, COMSAT and Lockheed Martin shall jointly prepare and agree upon a statement of Net Assets Sold as of the CSM Closing Date, together with a supporting calculation thereof. If COMSAT and Lockheed Martin are unable to agree upon the contents of such statement within such period, then each shall propose a statement of Net Assets Sold and set forth any areas of disagreement. COMSAT and Lockheed Martin shall jointly appoint a nationally recognized accounting firm acceptable to both of them (or if they cannot agree on such selection, select a national (big-five) accounting firm by lot after eliminating their respective independent auditors) (in either case, the "AUDITORS") and shall direct the Auditors to conduct, as promptly as practicable, a review of the Net Assets Sold as of the CSM Closing Date, as such firm believes necessary to resolve any areas of disagreement and to prepare a statement of Net Assets Sold as of the CSM Closing Date. The statement of Net Assets Sold as of the CSM Closing Date, as agreed upon by Lockheed Martin and COMSAT, or, if no agreement is reached, as prepared by the Auditors, and the Purchase Price as calculated therein, shall be final and binding on the parties. The fees and expenses of the Auditors shall be shared equally by Lockheed Martin and COMSAT.

Within five business days following final determination of the Purchase Price, in the event that the Purchase Price exceeds the Estimated Purchase Price, Lockheed Martin shall pay to COMSAT by wire transfer in immediately available funds an amount equal to such excess plus interest thereon from the CSM Closing Date to the date of such payment at an interest rate per annum (the "AGREED RATE") equal to the rate of interest established from time to time by Citibank, N.A. as its "prime" rate, or, if such rate is no longer established or published, a comparable interest rate, in each case calculated on the basis of actual days elapsed and a 365-day year, and in the event that the Estimated Purchase Price exceeds the Purchase Price, COMSAT shall pay to Lockheed Martin by wire transfer in immediately available funds an amount equal to such excess plus interest thereon from the CSM Closing Date to the date of such payment at the Agreed Rate.

SECTION 2.8 PAYMENT OF TAXES. COMSAT shall pay all sales, use, transfer, income, stock transfer and other similar Taxes imposed in connection with the Carrier Subsidiary Merger.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.1 REPRESENTATIONS AND WARRANTIES OF COMSAT AND COMSAT CARRIER SUBSIDIARY. COMSAT and COMSAT Carrier Subsidiary, jointly and severally represent and warrant to Lockheed Martin and Offer Subsidiary, that:

(a) Organization. COMSAT Carrier Subsidiary is a corporation, duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite power and authority, as a corporation, to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Authority. Each of COMSAT and COMSAT Carrier Subsidiary has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by COMSAT and COMSAT Carrier Subsidiary and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of COMSAT and COMSAT Carrier Subsidiary and by COMSAT, as the sole shareholder of COMSAT Carrier Subsidiary, and no other corporate proceedings on the part of COMSAT or COMSAT Carrier Subsidiary are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by COMSAT and COMSAT Carrier Subsidiary and constitutes the valid and binding agreement of COMSAT and COMSAT Carrier Subsidiary (and assuming due and valid authorization, execution and delivery thereof by the other parties hereto) enforceable against them, in accordance with its 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 the creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(c) Consents and Approvals; No Violations. Except for any applicable requirements of the Communications Act and the Antitrust Laws, the filing and recordation of the certificate of merger with respect to the Carrier Subsidiary Merger as required by the Delaware Code and the receipt of the COMSAT RSI Novation and the DISA/DITCO Contract Novation, neither the execution and delivery of this Agreement by COMSAT or COMSAT Carrier Subsidiary nor the consummation by COMSAT or COMSAT Carrier Subsidiary, of any transaction contemplated hereby will (i) conflict with or result in any breach of any provision of its Articles of Incorporation or Certificate of Incorporation, as the case may be, or its By-Laws, (ii) require any filing with, or the obtaining of any material permit, authorization, consent or approval of, any Governmental Authority or any other Person, (iii) result in a material violation or breach of, or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of termination, amendment, cancellation, acceleration or payment, or to the creation of a Lien) under any of the terms, conditions or provisions of any note, mortgage, indenture, other evidence of indebtedness, guarantee, license, or, to the knowledge of COMSAT, other material agreement, instrument or obligation to which COMSAT Carrier Subsidiary is a party or by which it or any of its material Assets may be bound or (iv) violate in any material respect any material Law applicable to COMSAT Carrier Subsidiary or any of its Assets.

(d) Capitalization.

(i) The authorized capital stock of COMSAT Carrier Subsidiary consists of 1,000 shares of COMSAT Carrier Subsidiary Common Stock, all of which are owned

of record and beneficially by COMSAT. Except as set forth above, (x) there are not now, and at the Operative Time there will not be, any Equity Securities of COMSAT Carrier Subsidiary issued or outstanding, and (y) there are no outstanding bonds, debentures, notes or other indebtedness or other securities of COMSAT Carrier Subsidiary having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of COMSAT Carrier Subsidiary may vote.

(ii) All outstanding shares of COMSAT Carrier Subsidiary Common Stock are, duly authorized, validly issued, fully paid and nonassessable and are not subject to preemptive rights.

(iii) There is no agreement or arrangement restricting the voting or transfer of the Equity Securities of COMSAT Carrier Subsidiary.

(iv) COMSAT Carrier Subsidiary does not have any Subsidiaries.

(e) Contracts.

(i) To the knowledge of COMSAT, there is no default under any COMSAT Carrier Subsidiary Contract either by COMSAT Carrier Subsidiary or by any other party thereto, and no event has occurred that with the lapse of time or the giving of notice or both would constitute a default thereunder by COMSAT Carrier Subsidiary or any other party, except for defaults or events that, either individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on COMSAT Carrier Subsidiary.

(ii) To the knowledge of COMSAT, no party to any such COMSAT Carrier Subsidiary Contract has given notice to COMSAT or COMSAT Carrier Subsidiary of or made a claim against COMSAT or COMSAT Carrier Subsidiary with respect to any breach or default thereunder, except for defaults or breaches that, either individually or in the aggregate, would not reasonably be expected to have Material Adverse Effect on COMSAT Carrier Subsidiary.

(iii) To the knowledge of COMSAT and except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar Laws, now or hereafter in effect, relating to the creditors' rights generally and general principles of equity, the COMSAT Carrier Subsidiary Contracts are valid and binding against COMSAT Carrier Subsidiary and any other party thereto except to the extent that enforceability of the DISA/DITCO Contract may be limited by (A) the unfunded support of the DISA/DITCO Contract or program to which the DISA/DITCO Contract relates, and (B) the right of the U.S. Government to terminate the DISA/DITCO Contract for convenience.

(iv) To the knowledge of COMSAT, no payment has been made by COMSAT Carrier Subsidiary or any Person authorized to act on its behalf, to any Person in connection with the DISA/DITCO Contract, in violation of applicable procurement Laws or in

violation of (or requiring disclosure pursuant to) the Foreign Corrupt Practices Act or other Laws.

(v) To the knowledge of COMSAT, with respect to the DISA/DITCO Contract, as of the date hereof: (A) COMSAT Carrier Subsidiary has complied in all material respects with all terms and conditions thereof, including all clauses, provisions and requirements incorporated expressly, by reference or by operation of Law therein; (B) COMSAT Carrier Subsidiary has complied in all material respects with all requirements of all applicable Laws or agreements pertaining thereto; (C) there exist no material outstanding claims, requests for equitable adjustment or other contractual action for relief against COMSAT Carrier Subsidiary, either by the U.S. Government or by any prime contractor, subcontractor, vendor or other Person, and (D) there exist no material disputes between COMSAT Carrier Subsidiary and the U.S. Government under the Contract Disputes Act or any other federal Law or between COMSAT Carrier Subsidiary and any prime contractor, subcontractor, vendor or other Person.

(f) Governmental Authorizations. To the knowledge of COMSAT, COMSAT Carrier Subsidiary is in possession of all material licenses, permits, franchises, certificates, consents, approvals and other authorizations from appropriate Governmental Authorities (including the FCC) necessary for COMSAT Carrier Subsidiary to own, lease and operate its properties or to carry on the COMSAT Carrier Subsidiary Business as it is now being conducted ("GOVERNMENTAL AUTHORIZATIONS"), and all such Governmental Authorizations are valid and in full force and effect. Earth Station Licenses Call Signs E960186 and E960187 and a Section 214 Authorization to provide international common carrier services on a resale basis comprise all of the material Governmental Authorizations held by COMSAT Carrier Subsidiary and there are no pending applications submitted to any Governmental Authority by COMSAT Carrier Subsidiary for additional Governmental Authorizations.

(g) Financial Statements. COMSAT has delivered to Lockheed Martin copies of the unaudited balance sheet and income statement at and for the six months ended June 30, 1998 for COMSAT Carrier Subsidiary (the "COMSAT CARRIER SUBSIDIARY FINANCIAL STATEMENTS"). Each of the COMSAT Carrier Subsidiary Financial Statements is consistent in all material respects with the books and records of COMSAT Carrier Subsidiary (which, in turn, are accurate and complete in all material respects) and fairly presents COMSAT Carrier Subsidiary's financial condition, Assets and liabilities as of such date and the results of operations for the period then ended in accordance with GAAP, subject to normal year-end adjustments which are not expected to be material in amount and the absence of footnotes thereto.

(h) Liabilities. To the knowledge of COMSAT, except for Liabilities and obligations incurred in the ordinary course of business and consistent with past practice since June 30, 1998, from June 30, 1998 until the date hereof COMSAT Carrier Subsidiary has not incurred any material Liabilities that would be required to be reflected or reserved against in a balance sheet of COMSAT Carrier Subsidiary prepared in accordance with GAAP as applied in preparing the balance sheet of COMSAT Carrier Subsidiary as of June 30, 1998.

(i) Sufficiency of Assets. COMSAT Carrier Subsidiary owns or, pursuant to the COMSAT Carrier Subsidiary Contracts has or, subject to the execution of the agreement contemplated by Section 4.6 hereof, will have, the right to use, all material Assets necessary for the conduct of the COMSAT Carrier Subsidiary Business in the manner conducted as of the date of this Agreement and sufficient to permit Surviving Entity to carry on the COMSAT Carrier Subsidiary Business as currently conducted.

Notwithstanding any other provision of this Section 3.1, Lockheed Martin and Offer Subsidiary acknowledge that the COMSAT RSI Novation and the DISA/DITCO Contract Novation have yet to be obtained, and agree that none of the foregoing representations and warranties shall be deemed breached to the extent that the failure of such representation to be true and correct results from the lack of the COMSAT RSI Novation or the DISA/DITCO Contract Novation.

SECTION 3.2 REPRESENTATIONS AND WARRANTIES OF LOCKHEED MARTIN AND OFFER SUBSIDIARY. Lockheed Martin and Offer Subsidiary, jointly and severally represent and warrant to COMSAT and COMSAT Carrier Subsidiary, that:

(a) Organization. Offer Subsidiary is a limited liability company, duly organized, validly existing and in good standing under the Laws of the State of Delaware and has all requisite power and authority, as a limited liability company, to own, lease and operate its properties and to carry on its business as now being conducted.

(b) Authority. Each of Lockheed Martin and Offer Subsidiary has full power and authority as a corporation or limited liability company, as the case may be, to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Lockheed Martin and Offer Subsidiary and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of Lockheed Martin and by Lockheed Martin as the sole member of Offer Subsidiary, and no other corporate proceedings on the part of Lockheed Martin or limited liability company proceedings on the part of Offer Subsidiary, are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Lockheed Martin and Offer Subsidiary and constitutes the valid and binding agreement of Lockheed Martin and Offer Subsidiary (and assuming due and valid authorization, execution and delivery thereof by the other parties hereto) enforceable against them, in accordance with its 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 the creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(c) Consents and Approvals; No Violations. Except for any applicable

requirements of the Communications Act and the Antitrust Laws, the filing and recordation of the certificate of merger with respect to the Carrier Subsidiary Merger as required by the Delaware Code and the receipt of the DISA/DITCO Contract Novation, neither the execution and delivery of this Agreement by Lockheed Martin or Offer Subsidiary nor the consummation by Lockheed Martin or Offer Subsidiary, of any transaction contemplated hereby will (i) conflict with or result in any breach of any provision of its charter or Certificate of Formation, as the case may be, or its By-Laws or Limited Liability Company Agreement, as the case may be, (ii) require any filing with, or the obtaining of any material permit, authorization, consent or approval of, any Governmental Authority or any other Person, (iii) result in a material violation or breach of, or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of termination, amendment, cancellation, acceleration or payment, or to the creation of a Lien) under any of the terms, conditions or provisions of any note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other material contract, instrument or obligation to which Offer Subsidiary is a party or by which it or any of its material Assets may be bound or (iv) violate in any material respects any material Law applicable to Offer Subsidiary or any of its Assets.

ARTICLE IV

COVENANTS

SECTION 4.1 NOVATION. Lockheed Martin and Offer Subsidiary shall cooperate with COMSAT and COMSAT Carrier Subsidiary to promptly obtain the COMSAT RSI Novation and the DISA/DITCO Contract Novation and all required security clearances and shall execute the novation agreements and other documents required by the U.S. Government in connection with the same. In the event that the DISA/DITCO Contract Novation is not accomplished by the CSM Closing Date, then this Agreement, to the extent permitted by Law, shall constitute the full and equitable assignment by COMSAT Carrier Subsidiary to Offer Subsidiary of all of COMSAT Carrier Subsidiary's right, title and interest in and to the DISA/DITCO Contract and Offer Subsidiary shall be deemed COMSAT Carrier Subsidiary's agent for the purpose of discharging COMSAT Carrier Subsidiary's obligations under the DISA/DITCO Contract and COMSAT Carrier Subsidiary shall take all necessary actions to provide Offer Subsidiary with the benefits of the DISA/DITCO Contract.

SECTION 4.2 EMPLOYEE MATTERS.

(a) Effective as of the CSM Closing Date, Lockheed Martin shall offer employment to the employees of the COMSAT Carrier Subsidiary Business as of the CSM Closing Date (the "COMSAT CARRIER EMPLOYEES"). The Lockheed Martin job offers will be at the same rate of pay as each such COMSAT Carrier Employee was earning prior to the CSM Closing Date. COMSAT shall be and shall remain responsible for any wages and benefits owed to and the claims of any other employee or former employee of COMSAT Carrier Subsidiary who is not a COMSAT Carrier Employee as of the CSM Closing Date, whether arising before or after the CSM Closing Date.

(b) Effective as of the CSM Closing Date, each COMSAT Carrier Employee shall cease participation in, and accrual under, any employee benefit plan or program sponsored or maintained by COMSAT and shall commence participation in employee benefit plans and programs maintained by Lockheed Martin for employees employed in comparable positions at Lockheed Martin. COMSAT shall be responsible for any claims incurred on or prior to the CSM Closing Date that are based on COMSAT's benefit plans and programs or arise out of the terms and conditions of a COMSAT Carrier Employee's employment at COMSAT and Lockheed Martin shall be responsible for any claims incurred after the CSM Closing Date that are based on Lockheed Martin's benefit plans and programs or arise out of the terms and conditions of a COMSAT Carrier Employee's employment at Lockheed Martin. Lockheed Martin shall cause the benefit plans and programs covering the COMSAT Carrier Employees to recognize the service with COMSAT of such COMSAT Carrier Employees for purposes of participation, eligibility and vesting (including eligibility for benefit levels under any severance or retiree medical or vacation pay plans to the extent based on length of service) in which such employees may then be eligible to participate, except to the extent that such service was not taken into account under the comparable employee benefit plan immediately prior to the CSM Closing Date. A COMSAT Carrier Employee who has accrued but unused vacation under a COMSAT vacation program as of the CSM Closing Date shall retain such accrued but unused vacation time after the CSM Closing Date.

(c) With respect to any plans in which COMSAT Carrier Employees participate effective as of the CSM Closing Date, Lockheed Martin shall (i) not impose any requirements under the plans more onerous than those currently in effect with respect to the pre-existing condition limitations or exclusions and waiting periods with respect to eligibility and participation applicable to COMSAT Carrier Employees; and (ii) recognize and credit payments toward any applicable co-payment, deductible expense requirement, out-of-pocket expense limit and maximum lifetime benefit limits of each COMSAT Carrier Employee and their eligible dependents as and to the extent any payment would have been previously recognized under the applicable COMSAT welfare benefit plans prior to the CSM Closing Date.

SECTION 4.3 [Intentionally Omitted].

SECTION 4.4 INDEMNIFICATION BY COMSAT. From and after the Operative Time, COMSAT agrees to indemnify, defend, protect and hold harmless Lockheed Martin and its present and former directors, officers, employees, affiliates, agents, successors and assigns from and against any and all Losses suffered or incurred by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from the Excluded Liabilities.

SECTION 4.5 TRANSFER OF ASSETS AND LIABILITIES. COMSAT shall, and shall cause COMSAT Carrier Subsidiary to, take all actions necessary to cause all of the Assets and Liabilities of COMSAT Carrier Subsidiary, including cash on COMSAT Carrier Subsidiary's balance sheet as of the CSM Closing Date, but excluding those Assets and Liabilities related to or used in connection with the COMSAT Carrier Subsidiary Business, to be transferred to and assumed by another Person prior to the Operative Time.

SECTION 4.6 BANDWIDTH MANAGEMENT SUBCONTRACT. COMSAT shall, and shall cause COMSAT Carrier Subsidiary to, take all actions necessary to cause the Bandwidth

Management Assets and the Bandwidth Management Liabilities to be transferred to and assumed by COMSAT prior to the Operative Time. At the CSM Closing, COMSAT and Offer Subsidiary shall execute a mutually acceptable subcontract pursuant to which COMSAT shall become Offer Subsidiary's subcontractor for the purpose of performing the obligations under the DISA/DITCO Contract for the implementation, installation and system design of the Bandwidth Management Centers in Clarksburg, Maryland and Lanstuhl, Germany under the DISA/DITCO Contract (corresponding to Part B, subCLINs 0029AJ, 0029AS, and 0029AY of such Contract), but excluding any operations and maintenance thereof or U.S. Government options for additional bandwidth management centers under the DISA/DITCO Contract that have not been exercised as of the Operative Time. The subcontract will contain a provision pursuant to which Offer Subsidiary will agree to order from COMSAT RSI, and provide the deliverables so ordered to COMSAT, under the COMSAT RSI Subcontract, at COMSAT's cost if requested by COMSAT.

SECTION 4.7 INTERCOMPANY BALANCES. Immediately prior to the Operative Time, COMSAT and COMSAT Carrier Subsidiary shall cause any intercompany balances between COMSAT Carrier Subsidiary, on the one hand, and COMSAT or any of its other Subsidiaries, on the other hand, to be cancelled, other than liabilities of COMSAT Carrier Subsidiary related to any fees of COMSAT or any of its other Subsidiaries for services provided to COMSAT Carrier Subsidiary in the ordinary course of business.

ARTICLE V

CONDITIONS PRECEDENT TO OBLIGATIONS

SECTION 5.1 CONDITIONS PRECEDENT TO OBLIGATIONS. The obligation of each party to effect the CSM Closing is subject to the satisfaction at or prior to the CSM Closing of the following conditions:

(a) any waiting period applicable to the Carrier Subsidiary Merger under the Antitrust Laws shall have terminated or expired and all consents or approvals required under the Antitrust Laws shall have been received;

(b) the Offer and the Merger Agreement shall not have been terminated; and

(c) all consents and approvals from Governmental Authorities (including the FCC) required for the consummation of the Carrier Subsidiary Merger and for the acquisition and ownership by Offer Subsidiary of shares of COMSAT Common Stock purchased pursuant to the Offer, as contemplated by the terms of this Agreement and the Merger Agreement, including, without limitation, the Authorized Carrier Conditions (other than the consummation of the transactions contemplated hereby), shall have been granted.

ARTICLE VI

TERMINATION

SECTION 6.1 TERMINATION. This Agreement may be terminated and the Carrier Subsidiary Merger may be abandoned at any time prior to the CSM Closing:

(a) by mutual written consent of COMSAT and Lockheed Martin; or

(b) automatically if the Merger Agreement shall have been terminated in accordance with its terms.

SECTION 6.2. EFFECT OF TERMINATION. In the event of the termination and abandonment of this Agreement pursuant to Section 6.1 hereof, 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 6.2 and Section 6.3. Nothing contained in this Section 6.2 shall relieve any party from Liability for any breach of this Agreement.

SECTION 6.3. FEES AND EXPENSES. Except as specifically provided in this Agreement, each party shall bear its own expenses incurred in connection with the transactions contemplated by this Agreement, including, without limitation, the preparation, execution and performance of this Agreement and the transactions contemplated thereby, and all fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (and shall be deemed to have been duly received if so given) if (i) personally delivered, (ii) sent by postage prepaid certified or registered mail, return receipt requested, (iii) sent by recognized overnight courier, or (iv) transmitted by telecopier, with a copy sent by postage prepaid certified or registered mail, return receipt requested, or by recognized overnight courier, if addressed to Lockheed Martin and COMSAT at the addresses set forth in Section 8.4 of the Merger Agreement and if addressed to Offer Subsidiary or COMSAT Carrier Subsidiary, c/o Lockheed Martin and COMSAT, respectively, at the addresses set forth in Section 8.4 of the Merger Agreement.

SECTION 7.2 NO WAIVERS; REMEDIES. No failure or delay by any party in exercising any right, power or privilege under this Agreement shall operate as a waiver of such right, power or privilege. A single or partial exercise of any right, power or privilege shall not preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies provided in this Agreement shall be cumulative and not exclusive of any rights or remedies available at law or in equity.

SECTION 7.3 AMENDMENTS, ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by a party to this Agreement from any provision of this Agreement, shall be effective unless it shall be in writing and signed and delivered by the other party to this Agreement, and then it shall be effective only in the specific instance and for the specific purpose for which it is given.

SECTION 7.4 SUCCESSORS AND ASSIGNS, NO THIRD PARTY BENEFICIARIES. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Except for Section 4.4 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 other nature whatsoever under or by reason of this Agreement.

SECTION 7.5 SURVIVAL. Except as otherwise specifically provided in this Agreement, each representation, warranty or covenant of each party contained in to this Agreement shall remain in full force and effect, notwithstanding any investigation or notice to the contrary or any waiver by the other party of a related condition precedent to the performance by such other party of an obligation under this Agreement.

SECTION 7.6 ENTIRE AGREEMENT. This Agreement and the Merger Agreement embody the entire agreement and understanding of the parties and supersede all prior agreements or understandings with respect to the subject matters of this Agreement.

SECTION 7.7 EXCLUSIVE JURISDICTION. Each party (i) agrees that any Action with respect to this Agreement or transactions contemplated by this Agreement shall be brought exclusively in the courts of the State of Delaware or of the United States of America for the State of Delaware, (ii) accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of those courts, (iii) irrevocably waives any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which it may now or hereafter have to the bringing of any Action in those jurisdictions; provided, however, that each party may assert in an Action in any other jurisdiction or venue each mandatory defense, third-party claim or similar claim that, if not so asserted in such Action, may not be asserted in an original Action in the courts referred to in clause (i) above. Lockheed Martin and COMSAT each hereby appoints Corporation Trust Company as its agent for service of process in the State of Delaware.

SECTION 7.8 WAIVER OF JURY TRIAL. Each party waives any right to a trial by jury in any Action to enforce or defend any right under this Agreement or any amendment, instrument, document or agreement delivered, or which in the future may be delivered, in

connection with this Agreement and agrees that any Action shall be tried before a court and not before a jury.

SECTION 7.9 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware. All rights and obligations of the parties shall be in addition to and not in limitation of those provided by applicable law.

SECTION 7.10 COUNTERPARTS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were on the same instrument.

SECTION 7.11 HEADINGS AND REFERENCES. Section headings in this Agreement are included for the convenience of reference only and do not constitute a part of this Agreement for any other purpose. References to parties and sections in this Agreement are references to the parties to or the sections of this Agreement, as the case may be, unless the context shall require otherwise.

SECTION 7.12 FURTHER ASSURANCES. Subject to the provisions in Section 6.9(e) of the Merger Agreement, each of the parties shall at the request of any other party do and perform or cause to be done and performed all such further acts and furnish, execute and deliver such other instruments and documents as the requesting party shall reasonably require to consummate the transactions contemplated by this Agreement.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Carrier Acquisition Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

COMSAT CORPORATION

By: /s/ Allen E. Flower

Name: Allen E. Flower
Title: Vice President and
Chief Financial Officer

COMSAT GOVERNMENT SYSTEMS, INC.

By: /s/ John H. Mattingly

Name: John H. Mattingly
Title: President

LOCKHEED MARTIN CORPORATION

By: /s/ Vance D. Coffman

Name: Vance D. Coffman
Title: Chairman and
Chief Executive Officer

REGULUS, LLC

By: /s/ John V. Sponyoe

Name: John V. Sponyoe
Title: Chief Executive Officer

Exhibit 1

August 5, 1997

CONFIDENTIAL
- - ------------

COMSAT Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817-1877

Re: Confidentiality Agreement

Ladies and Gentlemen:

In connection with the evaluation by Lockheed Martin Corporation ("Lockheed Martin"), a Maryland corporation, of a possible transaction (the "Transaction") involving COMSAT Corporation ("COMSAT"), a District of Columbia corporation, our two companies have agreed that Lockheed Martin will provide COMSAT or its affiliates and Representatives (as defined below) with certain Confidential Information (as defined below) relating to the businesses of Lockheed Martin and its subsidiaries and other controlled affiliates.

As a condition to furnishing you such information, COMSAT agrees as follows:

1. Nondisclosure of Confidential Information. The Confidential
---
Information (as defined in Section 4 hereof) shall be kept confidential by you and your officers, employees, counsel, accountants, agents, advisors and other representatives (collectively, "Representatives"), and specifically shall not be disclosed by you or your Representatives to any third parties, except that any of the Confidential Information may be disclosed to your Representatives, but only to the extent such Representatives need to know the Confidential Information for the purpose described above. In this Agreement, "you" and "your" refers to COMSAT, together with each of its affiliates, as such term is defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (collectively referred to herein as "affiliates"). The Confidential Information shall not be used other than in connection with evaluation of the possible Transaction. Specifically, and without limitation, the Confidential Information shall not be used by you to (i) compete with Lockheed Martin or its affiliates in a manner that you would not otherwise have competed, or (ii) to attain a competitive advantage over Lockheed Martin or its affiliates that you would not otherwise be able to attain absent access to the Confidential Information. It is understood (i) that each such Representative shall be informed by you of the confidential nature of the Confidential Information and the requirement that it not be used other than for the purpose described above, (ii) that each such Representative shall be required to agree to and be bound by the terms of this Agreement as a condition to receiving the Confidential Information and (iii) that, in any event, you shall be responsible for any breach of this Agreement

by any of your Representatives. You will not disclose the Confidential Information other than as permitted hereby, and you will use the same care in keeping confidential the Confidential Information as you would use in safeguarding your similar information, but in no event less than reasonable care. The term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any corporation, company, partnership, entity, individual or group.

2. Notice Preceding Compelled Disclosure. If you or your Representatives are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, you will promptly notify Lockheed Martin of such request or requirement so that Lockheed Martin may seek an appropriate protective order or waive compliance by you with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder, you or your Representatives are compelled, in the opinion of your counsel, to disclose the Confidential Information, you may disclose only such of the Confidential Information to the party requiring disclosure as is required by law or other regulatory requirement pursuant to such opinion and will request that the party to whom the Confidential Information is furnished agree in writing that the Confidential Information will be kept confidential by that party and its Representatives. In any event, you will cooperate with Lockheed Martin if it chooses to obtain a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

3. Purchase or Sale of Securities. You hereby acknowledge that you are aware (and that your Representatives who are informed of this matter have been or will be advised) that the United States securities laws restrict persons with material non-public information concerning a company obtained directly or indirectly from that company from purchasing or selling securities of that company or its affiliates, or from communicating such information to any other person under any circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. You agree that, for a period of three years from the date of this letter agreement, neither you nor any of your affiliates will, without the prior written consent of Lockheed Martin: (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 Lockheed Martin or any affiliate thereof, or of any successor to or person in control of Lockheed Martin, or any assets of Lockheed Martin 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 Lockheed Martin; (iii) make any public announcement with respect to, or submit a proposal for, or offer of (with or without conditions) any

extraordinary transaction involving Lockheed Martin, its affiliates or any of their respective 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) in connection with any of the foregoing; or (v) request Lockheed Martin or any of its Representatives, directly or indirectly, to amend or waive any provision of this paragraph. You will promptly advise Lockheed Martin of any inquiry or proposal made to you with respect to any of the foregoing.

4. Definition of "Confidential Information". As used herein, "Confidential Information" means all information, data, reports, interpretations, forecasts and records (whether in written form, orally, electronically or otherwise) containing or otherwise reflecting information concerning Lockheed Martin, its affiliates or Representatives or any assets that may be disposed of that is or has been furnished to you or your Representatives by Lockheed Martin or any of its affiliates or Representatives which is either confidential, proprietary or otherwise not generally available to the public. Notwithstanding the foregoing, the following will not constitute Confidential Information for purposes of this Agreement: (a) information which is or becomes generally available to the public other than as a result of a disclosure by you or your Representatives not otherwise permitted by this Agreement; (b) information which was already known to you on a nonconfidential basis (except for Confidential Information provided to you by Lockheed Martin or any of its respective affiliates or Representatives prior to the date hereof, if any); or (c) information which becomes available to you on a nonconfidential basis from a source other than Lockheed Martin, its affiliates or Representatives if you have no knowledge, after reasonable inquiry, that such source was subject to a prohibition against transmitting the information to you.

5. Return of Information. At the request of Lockheed Martin at any time, all written Confidential Information provided by Lockheed Martin or its respective affiliates or Representatives will be returned to the party providing such information promptly by you and your Representatives without retention of copies thereof, except that any portion of the written Confidential Information that consists of summaries, analyses, extracts, compilations, studies, personal notes or other documents or records prepared by COMSAT or any of its affiliates or Representatives shall be destroyed (such destruction to be confirmed in writing) without the retention of any copies thereof. For purposes of this Agreement, "written" Confidential Information shall include, without limitation, information contained in printed, electronic, magnetic or other tangible media, or in information storage and retrieval systems. That portion of the Confidential Information consisting of oral Confidential Information and written Confidential Information not so requested to be returned will be held by you or your Representatives and kept subject to the terms of this Agreement, or destroyed. The performance by COMSAT of its

obligations under this paragraph 5 shall not relieve or otherwise release COMSAT from any of its obligations under this agreement.

6. No Other Rights. Nothing contained in this Agreement shall be construed as (i) requiring Lockheed Martin, or their respective affiliates or Representatives, to disclose to you, or for you to accept, any particular information, or (ii) granting to you a license, either express or implied, under any patent, copyright, trade secret or other intellectual property rights now or hereafter owned, obtained or licensed by Lockheed Martin or any of its respective affiliates. COMSAT understands and acknowledges that any and all information contained in the Confidential Information is being provided without any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information on the part of Lockheed Martin or its affiliates or Representatives. COMSAT agrees that none of Lockheed Martin or any of its respective affiliates or Representatives shall have any liability to COMSAT or its affiliates or Representatives. It is understood that the scope of representations and warranties to be given by Lockheed Martin will, if applicable, be in a mutually acceptable definitive agreement between COMSAT and Lockheed Martin should discussions regarding a Transaction progress to such a point. The parties agree that unless and until a definitive agreement between COMSAT and Lockheed Martin with respect to a Transaction has been executed and delivered, neither party will be under any legal obligation of any kind whatsoever with respect to such a Transaction by virtue of this or any other written or oral expression with respect to such a Transaction by it or any of its Representatives except, in the case of this letter, for the matters specifically agreed to herein. COMSAT further acknowledges and agrees that Lockheed Martin reserves the right, in its sole discretion, to reject any and all proposals made by COMSAT or any of its Representatives with regard to the Transaction and to terminate discussions and negotiations with COMSAT at any time.

7. Nondisclosure of Discussions. Without the prior consent of Lockheed Martin, you will not, and will direct your Representatives not to, disclose to any person your evaluation of the Transaction, that the Confidential Information is being made available to you, that you have inspected any portion of the Confidential Information, or that discussions with respect to the above purposes are taking place or other facts with respect to these discussions, including the status thereof.

8. No Waiver. No failure or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any right, power or privilege hereunder or thereunder. Neither the waiver by Lockheed Martin of a breach of or a default under any provisions of this

Agreement, nor the failure of Lockheed Martin, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of such provisions, rights or privileges hereunder.

9. Remedies, Expenses, Jurisdiction, Governing Law. The parties agree that any breach or threatened breach will cause Lockheed Martin irreparable harm, money damages would not be a sufficient remedy for any actual or threatened breach of this Agreement, and Lockheed Martin shall be entitled to specific performance and injunctive relief as remedies for any actual or threatened breach of this Agreement, without the necessity of proving actual damages and without posting a bond or other security. Such remedies shall not be deemed to be the exclusive remedies for a breach but shall be in addition to all other remedies at law or in equity. In the event a court of competent jurisdiction determines in a final non-appealable order that this Agreement has or may be breached by you or your Representatives, then you will reimburse Lockheed Martin for its costs and expenses (including, without limitation, legal fees and expenses) incurred in connection with such litigation. You consent to personal jurisdiction in any action brought in any court, federal or state, within the State of Maryland having subject matter jurisdiction arising under this Agreement. This Agreement shall be governed and construed in accordance with the internal laws of the State of Maryland, without regard to the choice or conflicts of law doctrines thereof.

10. Invalidity; Unenforceability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. If any of the provisions of this Agreement shall be deemed to be unenforceable by reason of its extent, duration, scope or otherwise, then the parties contemplate that the court making such determination shall enforce the remaining provisions of this Agreement, shall reduce such extent, duration, scope or other provision and shall enforce them in their reduced form for all purposes contemplated by this Agreement.

11. Contact with and Solicitation of Employees. COMSAT agrees not to contact any employee of Lockheed Martin or its affiliates regarding the Transaction or the Confidential Information without the prior approval of: the chief executive officer, the chief financial officer, the general counsel of Lockheed Martin or their respective designees. You and your Representatives agree that for a period of two years from the date of this Agreement that you or your Representatives will not solicit for employment any of the current employees of Lockheed Martin or its affiliates so long as they are employed by Lockheed Martin or such affiliate without

the prior written consent of Lockheed Martin. A general advertisement by COMSAT or its affiliates for solicitation of employees shall not constitute a solicitation under this Agreement.

12. Binding Effect; Construction. This Agreement shall inure to the benefit of and be binding upon each of the parties and their respective successors and assigns. Each party hereto hereby acknowledges that all parties hereto participated equally in the negotiation and drafting of this agreement and that, accordingly, no court construing this agreement shall construe it more stringently against one party than against the others.

13. Entire Agreement. This Agreement expresses the entire agreement between the parties respecting the subject matter hereof and shall not be modified except by a written instrument signed by authorized representatives of the parties on or after the date hereof.

If the foregoing is acceptable, please sign and return the enclosed copy of this letter.

Lockheed Martin Corporation

By: /s/ Mel R. Brashears

Mel R. Brashears
President and Chief Operating Officer
Space & Strategic Missiles Sector

ACCEPTED AND AGREED

COMSAT CORPORATION

By: /s/ Warren Y. Zeger

Warren Y. Zeger
Vice President, General
Counsel and Secretary

August 5, 1997

CONFIDENTIAL
- - ------------

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817-1877

Re: Confidentiality Agreement

Ladies and Gentlemen:

In connection with the evaluation by Lockheed Martin Corporation ("Lockheed Martin"), a Maryland corporation, of a possible transaction (the "Transaction") involving COMSAT Corporation ("COMSAT"), a District of Columbia corporation, our two companies have agreed that COMSAT will provide Lockheed Martin or its affiliates and Representatives (as defined below) with certain Confidential Information (as defined below) relating to the businesses of COMSAT and its subsidiaries and other controlled affiliates.

As a condition to furnishing you such information, Lockheed Martin agrees as follows:

1. Nondisclosure of Confidential Information. The Confidential
---
Information (as defined in Section 4 hereof) shall be kept confidential by you and your officers, employees, counsel, accountants, agents, advisors and other representatives (collectively, "Representatives"), and specifically shall not be disclosed by you or your Representatives to any third parties, except that any of the Confidential Information may be disclosed to your Representatives, but only to the extent such Representatives need to know the Confidential Information for the purpose described above. In this Agreement, "you" and "your" refers to Lockheed Martin, together with each of its affiliates, as such term is defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (collectively referred to herein as "affiliates"). The Confidential Information shall not be used other than in connection with evaluation of the possible Transaction. Specifically, and without limitation, the Confidential Information shall not be used by you to (i) compete with COMSAT or its affiliates in a manner that you would not otherwise have competed, or (ii) to attain a competitive advantage over COMSAT or its affiliates that you would not otherwise be able to attain absent access to the Confidential Information. It is understood (i) that each such Representative shall be informed by you of the confidential nature of the Confidential Information and the requirement that it not be used other than for the purpose described above, (ii) that each such Representative shall be required to agree to and be bound by the terms of this Agreement as a condition to receiving the Confidential Information and (iii) that, in any event, you shall be responsible for any breach of

this Agreement by any of your Representatives. You will not disclose the Confidential Information other than as permitted hereby, and you will use the same care in keeping confidential the Confidential Information as you would use in safeguarding your similar information, but in no event less than reasonable care. The term "person" as used in this Agreement shall be broadly interpreted to include, without limitation, any corporation, company, partnership, entity, individual or group.

2. Notice Preceding Compelled Disclosure. If you or your Representatives are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, you will promptly notify COMSAT of such request or requirement so that COMSAT may seek an appropriate protective order or waive compliance by you with the provisions of this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder, you or your Representatives are compelled, in the opinion of your counsel, to disclose the Confidential Information, you may disclose only such of the Confidential Information to the party requiring disclosure as is required by law or other regulatory requirement pursuant to such opinion and will request that the party to whom the Confidential Information is furnished agree in writing that the Confidential Information will be kept confidential by that party and its Representatives. In any event, you will cooperate with COMSAT if it chooses to obtain a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

3. Purchase or Sale of Securities. You hereby acknowledge that you are aware (and that your Representatives who are informed of this matter have been or will be advised) that the United States securities laws restrict persons with material non-public information concerning a company obtained directly or indirectly from that company from purchasing or selling securities of that company or its affiliates, or from communicating such information to any other person under any circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. You agree that, for a period of three years from the date of this letter agreement, neither you nor any of your affiliates will, without the prior written consent of COMSAT: (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 COMSAT or any affiliate thereof, or of any successor to or person in control of COMSAT, or any assets of COMSAT 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 COMSAT; (iii) make any public announcement with respect

to, or submit a proposal for, or offer of (with or without conditions) any extraordinary transaction involving COMSAT, its affiliates or any of their respective 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) or any "syndicate" or "affiliated group" as defined in Section 304(b)(3) of the Communications Satellite Act of 1962) in connection with any of the foregoing; or (v) request COMSAT or any of its Representatives, directly or indirectly, to amend or waive any provision of this paragraph. You will promptly advise COMSAT of any inquiry or proposal made to you with respect to any of the foregoing.

4. Definition of "Confidential Information". As used herein, "Confidential Information" means all information, data, reports, interpretations, forecasts and records (whether in written form, orally, electronically or otherwise) containing or otherwise reflecting information concerning COMSAT, its affiliates or Representatives or any assets that may be disposed of that is or has been furnished to you or your Representatives by COMSAT or any of its affiliates or Representatives which is either confidential, proprietary or otherwise not generally available to the public. Notwithstanding the foregoing, the following will not constitute Confidential Information for purposes of this Agreement: (a) information which is or becomes generally available to the public other than as a result of a disclosure by you or your Representatives not otherwise permitted by this Agreement; (b) information which was already known to you on a nonconfidential basis (except for Confidential Information provided to you by COMSAT or any of its respective affiliates or Representatives prior to the date hereof, if any); or (c) information which becomes available to you on a nonconfidential basis from a source other than COMSAT, its affiliates or Representatives if you have no knowledge, after reasonable inquiry, that such source was subject to a prohibition against transmitting the information to you.

5. Return of Information. At the request of COMSAT at any time, all written Confidential Information provided by COMSAT or its respective affiliates or Representatives will be returned to the party providing such information promptly by you and your Representatives without retention of copies thereof, except that any portion of the written Confidential Information that consists of summaries, analyses, extracts, compilations, studies, personal notes or other documents or records prepared by Lockheed Martin or any of its affiliates or Representatives shall be destroyed (such destruction to be confirmed in writing) without the retention of any copies thereof. For purposes of this Agreement, "written" Confidential Information shall include, without limitation, information contained in printed, electronic, magnetic or other tangible media, or in information storage and retrieval systems. That portion of the Confidential Information consisting of oral Confidential Information and written Confidential Information not so requested to be returned will be held by you or your Representatives and kept

subject to the terms of this Agreement, or destroyed. The performance by Lockheed Martin of its obligations under this paragraph 5 shall not relieve or otherwise release Lockheed Martin from any of its obligations under this agreement.

6. No Other Rights. Nothing contained in this Agreement shall be construed as (i) requiring COMSAT, or their respective affiliates or Representatives, to disclose to you, or for you to accept, any particular information, or (ii) granting to you a license, either express or implied, under any patent, copyright, trade secret or other intellectual property rights now or hereafter owned, obtained or licensed by COMSAT or any of its respective affiliates. Lockheed Martin understands and acknowledges that any and all information contained in the Confidential Information is being provided without any representation or warranty, express or implied, as to the accuracy or completeness of the Confidential Information on the part of COMSAT or its affiliates or Representatives. Lockheed Martin agrees that none of COMSAT or any of its respective affiliates or Representatives shall have any liability to Lockheed Martin or its affiliates or Representatives. It is understood that the scope of representations and warranties to be given by COMSAT will, if applicable, be in a mutually acceptable definitive agreement between Lockheed Martin and COMSAT should discussions regarding a Transaction progress to such a point. The parties agree that unless and until a definitive agreement between Lockheed Martin and COMSAT with respect to a Transaction has been executed and delivered, neither party will be under any legal obligation of any kind whatsoever with respect to such a Transaction by virtue of this or any other written or oral expression with respect to such a Transaction by it or any of its Representatives except, in the case of this letter, for the matters specifically agreed to herein. Lockheed Martin further acknowledges and agrees that COMSAT reserves the right, in its sole discretion, to reject any and all proposals made by Lockheed Martin or any of its Representatives with regard to the Transaction and to terminate discussions and negotiations with Lockheed Martin at any time.

7. Nondisclosure of Discussions. Without the prior consent of COMSAT, you will not, and will direct your Representatives not to, disclose to any person your evaluation of the Transaction, that the Confidential Information is being made available to you, that you have inspected any portion of the Confidential Information, or that discussions with respect to the above purposes are taking place or other facts with respect to these discussions, including the status thereof.

8. No Waiver. No failure or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any right, power or privilege hereunder or thereunder.

Neither the waiver by COMSAT of a breach of or a default under any provisions of this Agreement, nor the failure of COMSAT, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder shall thereafter be construed as a waiver of any subsequent breach or default of a similar nature, or as a waiver of such provisions, rights or privileges hereunder.

9. Remedies, Expenses, Jurisdiction, Governing Law. The parties agree that any breach or threatened breach will cause COMSAT irreparable harm, money damages would not be a sufficient remedy for any actual or threatened breach of this Agreement, and COMSAT shall be entitled to specific performance and injunctive relief as remedies for any actual or threatened breach of this Agreement, without the necessity of proving actual damages and without posting a bond or other security. Such remedies shall not be deemed to be the exclusive remedies for a breach but shall be in addition to all other remedies at law or in equity. In the event a court of competent jurisdiction determines in a final non-appealable order that this Agreement has or may be breached by you or your Representatives, then you will reimburse COMSAT for its costs and expenses (including, without limitation, legal fees and expenses) incurred in connection with such litigation. You consent to personal jurisdiction in any action brought in any court, federal or state, within the State of Maryland having subject matter jurisdiction arising under this Agreement. This Agreement shall be governed and construed in accordance with the internal laws of the State of Maryland, without regard to the choice or conflicts of law doctrines thereof.

10. Invalidity; Unenforceability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. If any of the provisions of this Agreement shall be deemed to be unenforceable by reason of its extent, duration, scope or otherwise, then the parties contemplate that the court making such determination shall enforce the remaining provisions of this Agreement, shall reduce such extent, duration, scope or other provision and shall enforce them in their reduced form for all purposes contemplated by this Agreement.

11. Contact with and Solicitation of Employees. Lockheed Martin agrees not to contact any employee of COMSAT or its affiliates regarding the Transaction or the Confidential Information without the prior approval of: the chief executive officer, the chief financial officer, the general counsel of COMSAT or their respective designees. You and your Representatives agree that for a period of two years from the date of this Agreement that you or your Representatives will not solicit for employment any of the current employees of COMSAT or its affiliates so long as they are employed by COMSAT or such affiliate without the prior written

consent of COMSAT. A general advertisement by Lockheed Martin or its affiliates for solicitation of employees shall not constitute a solicitation under this Agreement.

12. Binding Effect; Construction. This Agreement shall inure to the benefit of and be binding upon each of the parties and their respective successors and assigns. Each party hereto hereby acknowledges that all parties hereto participated equally in the negotiation and drafting of this agreement and that, accordingly, no court construing this agreement shall construe it more stringently against one party than against the others.

13. Entire Agreement. This Agreement expresses the entire agreement between the parties respecting the subject matter hereof and shall not be modified except by a written instrument signed by authorized representatives of the parties on or after the date hereof.

If the foregoing is acceptable, please sign and return the enclosed copy of this letter.

COMSAT CORPORATION

By: /s/ Warren Y. Zeger

Warren Y. Zeger
Vice President, General
Counsel and Secretary

ACCEPTED AND AGREED

LOCKHEED MARTIN CORPORATION

By: /s/ Mel R. Brashears

Mel R. Brashears
President and Chief Operating Officer
Space & Strategic Missiles Sector