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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported) - June 18, 1996

LOCKHEED MARTIN CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	1-11437	52-1893632
(State of other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

6801 Rockledge Drive, Bethesda, Maryland	20817
(Address of principal executive offices)	(Zip Code)

(301) 897-6000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or address, if changed since last report)

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Item 5. Other Events

A. Background

On January 7, 1996, Lockheed Martin Corporation (the "Corporation") and its wholly owned subsidiary LAC Acquisition Corporation ("LAC"), entered into an Agreement and Plan of Merger (the "Loral Merger Agreement") with Loral Corporation ("Loral") pursuant to which LAC agreed to commence a tender offer to purchase all the issued and outstanding shares of Common Stock of Loral (together with the associated preferred stock purchase rights) for an aggregate consideration of $38 per share, net to the seller in cash, without interest (the "Tender Offer"). The Tender Offer was made as part of a series of transactions that resulted in (i) the distribution, to stockholders of Loral immediately prior to the consummation of the Tender Offer, of shares of capital stock of Loral Space & Communications, Ltd., and (ii) the acquisition by the Corporation of Loral's defense electronics and systems integration businesses. In accordance with the terms of the Tender Offer and the Loral Merger Agreement, on April 23, 1996, LAC purchased approximately 94.5% of the outstanding shares of Common Stock of Loral. Subsequent to the consummation of the Tender Officer, on April 29, 1996, in accordance with the terms of the Loral Merger Agreement, LAC merged with and into Loral and pursuant thereto each remaining share of Common Stock of Loral not owned by LAC was converted into the right to receive $38, each outstanding share of Common Stock of LAC was converted into shares of Common Stock of Loral, and Loral changed its name to Lockheed Martin Tactical Systems, Inc. ("Tactical Systems"). As a result of these transactions, Tactical Systems became a wholly owned subsidiary of the Corporation.

The Corporation is filing this Current Report on Form 8-K in order to provide the consolidated financial statements of Loral Corporation and Subsidiaries -- Retained Business as of March 31, 1996 and 1995, and for each of the three years then ended, which are included as Exhibit 99(a) to this Current Report on Form 8-K. References in Exhibit 99(a) of this Current Report on Form 8-K to Loral Corporation and Subsidiaries -- Retained Business constitute references to Tactical Systems.

B. Exhibits

Exhibit No.	Description
23	Consent of Coopers & Lybrand L.L.P.
27	Financial Data Schedule
99(a)	Audited Consolidated Financial Statements of Loral Corporation and Subsidiaries -- Retained Business as of

March 31, 1996 and 1995, and for each of
the three years then ended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LOCKHEED MARTIN CORPORATION

/s/ ROBERT E. RULON

Robert E. Rulon
Vice President and
Controller

18 June 1996

INDEX TO EXHIBITS

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Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements of Lockheed Martin Corporation on Form S-3 (File No. 333-01939), Form S-3 (File No. 33-58067), Form S-8 (File No. 33-58073), Form S-8 (File No. 33-58075), Form S-8 (File No. 33-58077), Form S-8 (File No. 33-58079), Form S-8 (File No. 33-58081), Form S-8 (File No. 33-58083), Form S-8 (File No. 33-58085), Form S-8 (File No. 33-58089), Form S-8 (File No. 33-58097), Form S-8 (File No. 33-57645) and Form S-8 (File No. 33-63155) of our report dated May 17, 1996, on our audits of the consolidated financial statements of Loral Corporation and Subsidiaries -- Retained Business, which is now known as Lockheed Martin Tactical Systems, Inc., a subsidiary of Lockheed Martin Corporation, as of March 31, 1996 and 1995, and for each of the three years in the period ended March 31, 1996, which report is included in the Current Report on Form 8-K of Lockheed Martin Corporation dated June 18, 1996.

/s/ Coopers & Lybrand L.L.P.

New York, New York
June 18, 1996

The schedule contains summary financial information for "Loral Corporation and Subsidiaries--Retained Business" extracted from the consolidated balance sheet and consolidated statement of earnings and is qualified in its entirety by reference to such financial statements.

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YEAR
MAR-31-1996
APR-01-1995
MAR-31-1996
277
0
941
0
429
2,150
2,080
890
5,983
1,570
1,857
0
0
0
1,769
5,983
6,123
6,123
5,386
5,386
0
0
142
600
216
384
0
0
0
384
0
0

EXHIBIT 99(A)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Shareholder and Board of Directors of Lockheed Martin Tactical Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Loral Corporation and Subsidiaries Retained Business (the "Company"), which is now known as Lockheed Martin Tactical Systems, Inc., a subsidiary of Lockheed Martin Corporation, as of March 31, 1996 and 1995 and the related consolidated statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Loral Corporation and Subsidiaries--Retained Business as of March 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1996 in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

1301 Avenue of the Americas
New York, New York 10019
May 17, 1996

LORAL CORPORATION AND SUBSIDIARIES--RETAINED BUSINESS

CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Sales	$6,122,755	$5,484,401	$4,008,733
Costs and expenses	5,385,711	4,919,857	3,607,765
Operating income	737,044	564,544	400,968
Interest income and net investment income	5,246	9,484	8,275
Interest expense	141,998	96,405	39,016
Income before income taxes	600,292	477,623	370,227
Income taxes	216,405	181,456	138,420
Net income	$ 383,887	$ 296,167	$ 231,807

See notes to consolidated financial statements.

LORAL CORPORATION AND SUBSIDIARIES--RETAINED BUSINESS

CONSOLIDATED BALANCE SHEETS

	MARCH 31, 1996	MARCH 31, 1995
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276,824	$ 125,674
Contracts in process	1,369,762	1,147,233
Deferred income taxes	309,359	138,374
Other current assets	193,778	141,846
Total current assets	2,149,723	1,553,127
Property, plant and equipment	2,080,425	1,899,804
Less, accumulated depreciation and amortization	890,232	758,279
	1,190,193	1,141,525
Cost in excess of net assets acquired, less amortization	1,924,355	1,265,932
Deferred income taxes		6,486
Prepaid pension cost and other assets	718,342	591,217
	$5,982,613	$4,558,287
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of debt	$ 10,860	$ 958
Accounts payable, trade	197,294	169,743
Billings and estimated earnings in excess of cost	674,865	313,379
Accrued employment costs	284,298	235,260
Income taxes	128,118	80,642
Other current liabilities	274,625	216,585
Total current liabilities	1,570,060	1,016,567
Postretirement benefits	599,523	611,911
Deferred income taxes	2,967	
Other liabilities	184,555	178,798
Long-term debt	1,856,764	1,315,530
Commitments and contingencies (Notes 10 and 14)		
Net assets	1,768,744	1,435,481
	$5,982,613	$4,558,287

See notes to consolidated financial statements

LORAL CORPORATION AND SUBSIDIARIES--RETAINED BUSINESS

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Balance, beginning of year	$1,435,481	$1,222,054	$1,050,836
Shares issued:			
Exercise of stock options and related tax benefits, net of shares tendered	41,208	11,614	9,392
Employee benefit plans	62,560	42,698	11,398
Restricted Stock Purchase Plan			(1)
Amortization of restricted options	10,504	3,351	3,246
Shares earned under Restricted Stock Purchase Plan	737	5,655	3,919
Net income	383,887	296,167	231,807
Dividends	(54,251)	(49,663)	(45,183)
Changes in net assets applicable to Space and Communications Operations	(100,982)	(100,580)	(25,774)
Additional minimum pension liability	(7,248)	5,085	(16,049)
Foreign currency translation adjustment	(3,152)	(900)	(1,537)
Balance, end of year	$1,768,744	$1,435,481	$1,222,054

See notes to consolidated financial statements.

LORAL CORPORATION AND SUBSIDIARIES--RETAINED BUSINESS

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED MARCH 31,		
	1996	1995	1994
	(IN THOUSANDS)		
OPERATING ACTIVITIES:			
Net income	$383,887	$ 296,167	$ 231,807
Depreciation and amortization	266,767	250,122	178,184
Deferred income taxes	76,054	111,769	27,500
Changes in operating assets and liabilities:			
Contracts in process	(127,321)	30,966	31,850
Other current assets	(22,198)	31,868	(56,713)
Prepaid pension cost and other assets	(88,816)	(40,956)	(22,767)
Accounts payable and accrued liabilities	137,476	(59,703)	(21,247)
Income taxes	47,505	2,827	17,375
Postretirement benefits and other liabilities	(48,162)	(23,279)	(26,366)
Other	(10,500)	4,185	(562)
Net cash from operating activities	614,692	603,966	359,061
INVESTING ACTIVITIES:			
Acquisition of businesses, net of cash acquired	(879,228)	(3,750)	(1,426,103)
Proceeds from note receivable			20,935
Capital expenditures	(117,242)	(122,733)	(102,952)
Disposition of property, plant and equipment	37,561	37,482	6,492
	(958,909)	(89,001)	(1,501,628)
FINANCING ACTIVITIES:			
Net borrowings (payments) under revolving credit facilities and commercial paper	401,389	(1,131,737)	808,018
Proceeds from borrowings	150,000	651,273	503,534
Payments of debt	(4,557)	(1,037)	(47,578)
Distributions to Space and Communications Operations	(100,982)	(100,580)	(25,774)
Dividends paid	(54,251)	(49,663)	(45,183)
Proceeds from issuance of common stock	103,768	54,312	20,789
Seller financing in connection with acquisition of business		(50,357)	50,357
	495,367	(627,789)	1,264,163
Net increase (decrease) in cash and cash equivalents	151,150	(112,824)	121,596
Cash and cash equivalents, beginning of year	125,674	238,498	116,902
Cash and cash equivalents, end of year	$276,824	$ 125,674	$ 238,498
Supplemental information:			
Interest paid during the year	$139,650	$ 93,385	$ 46,342
Income taxes paid during the year, net of refunds	$ 77,468	$ 62,563	$ 73,729

See notes 3 and 4 for additional information.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Loral Corporation and Subsidiaries--Retained Business, now Lockheed Martin Tactical Systems, Inc., (the "Retained Business" or the "Company") is a leading supplier of advanced electronic systems, components and services to U.S. and foreign governments for defense and non-defense applications. The Company's principal business areas are: electronic combat; training and simulation; tactical weapons; command, control, communications and intelligence (C/3/I); systems integration; and telecommunications. The Company operates primarily in one industry segment, government electronic systems.

Substantially all of the Company's products are sold to agencies of the United States Government, primarily the Department of Defense, to foreign government agencies or to prime contractors or subcontractors thereof. All domestic government contracts and subcontracts to which the Company is a party are subject to audit, various cost controls and include standard provisions for termination for the convenience of the Government. Multi-year Government contracts and related orders are subject to cancellation if funds for contract performance for any subsequent year become unavailable. Foreign government contracts generally include comparable provisions relating to termination for the convenience of the government.

The decline in the U.S. defense budget since the mid 1980s has resulted in program delays, cancellations and scope reductions for defense contractors in general. These events may or may not have an effect on the Company's programs; however, in the event that expenditures for products of the type manufactured by the Company are reduced, and not offset by greater foreign sales or other new programs or products, or acquisitions, there will be a reduction in the volume of contracts or subcontracts awarded to the Company.

2. BASIS OF PRESENTATION

On January 7, 1996, Loral Corporation ("Loral") and Lockheed Martin Corporation ("Lockheed Martin") entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") among Loral Corporation, Lockheed Martin and LAC Acquisition Corporation ("LAC"), a wholly-owned subsidiary of Lockheed Martin. Concurrently with the execution of the Merger Agreement, Loral Corporation, certain wholly-owned subsidiaries of Loral Corporation and Lockheed Martin, entered into a Restructuring, Financing and Distribution Agreement (the "Distribution Agreement"), which provided, among other things, for (i) the transfer of Loral Corporation's space and communications business, including its direct and indirect interests in Globalstar, L.P. ("Globalstar"), Space Systems/Loral, Inc. ("SS/L"), and other affiliated business, as well as certain other assets, ("the "Space and Communications Operations"), to Loral Space & Communications Ltd., a Bermuda company ("Loral SpaceCom"), (ii) the distribution of all of the shares of Loral SpaceCom common stock to holders of Loral Corporation common stock and persons entitled to acquire shares of Loral Corporation common stock on a one-for-one basis (the "Spin-off"), and (iii) the contribution by Lockheed Martin of $712,400,000 to Loral SpaceCom, of which $344,000,000 represents payment for preferred stock, convertible into a 20% equity interest in Loral SpaceCom, retained by Lockheed Martin following the Spin-Off and the Merger.

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

In accordance with the terms of the tender offer and the Merger Agreement, on April 23, 1996, LAC purchased approximately 94.5% of the outstanding shares of common stock of Loral. Subsequent to the consummation of the Tender Offer, on April 29, 1996, in accordance with the terms of the Merger Agreement, LAC merged with and into Loral and pursuant thereto each remaining share of common stock of Loral not owned by LAC was converted into the right to receive $38.00, each outstanding share of common stock of LAC was converted into shares of common stock of Loral, and Loral changed its name to Lockheed Martin Tactical Systems, Inc. ("Tactical Systems"). As a result of these transactions, Tactical Systems became a wholly owned subsidiary of Lockheed Martin.

The accompanying consolidated financial statements reflect the portion of Loral that became a subsidiary of Lockheed Martin. However, the financial position and results of operations, as presented herein, may not have been the same as would have occurred had the Retained Business and Space and Communications Operations been independent entities.

All significant intercompany balances and transactions have been eliminated.

The financial statements reflect the allocations of certain expenses to Space and Communications Operations based upon estimates of actual services performed by the Company (See Note 14). The amount of corporate office expenses allocated to Space and Communication Operations has been estimated based primarily on the allocation methodology prescribed by government regulations pertaining to government contractors, which management believes to be a reasonable allocation method.

The financial statements exclude interest expense of $10,524,000, $9,456,000 and $8,253,000 for the years ended March 31, 1996, 1995 and 1994, respectively, which has been allocated to Space and Communications Operations based upon the Company's historical weighted average debt cost applied to Loral's average investment in affiliates for each period.

The financial statements do not include the effects of adjustments to assets and liabilities as a result of the acquisition of the Company by Lockheed Martin.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase.

Statements of Cash Flow

Changes in operating assets and liabilities are net of the impact of acquisitions and final purchase price allocations.

Contracts in Process

Sales on long-term production-type contracts are recorded as units are shipped; profits applicable to such shipments are recorded pro rata, based upon estimated total profit at completion of the contract. Sales and profits on cost reimbursable contracts are recognized as costs are incurred. Sales and estimated profits under other long-term contracts are recognized under the percentage of completion method of accounting using the cost-to-cost method. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and realization is probable.

Costs accumulated under long-term contracts include applicable amounts of selling, general and administrative expenses. Losses on contracts are immediately recognized in full when determinable. Revisions in profit estimates are reflected in the period in which the facts which require the revision become known.

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided primarily using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements.

Cost in Excess of Net Assets Acquired

The excess of the cost of purchased businesses over the fair value of the net assets acquired is being amortized using a straight-line method generally over a 40-year period. Accumulated amortization amounted to $159,830,000 and $107,857,000 at March 31, 1996 and 1995, respectively.

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

Foreign Currency Translation

Assets and liabilities of foreign operations are translated into U.S dollars at current rates and income and expenses are translated at average rates during the period. The effects of the translation adjustments are included as a component of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to contract estimates of revenues and costs, income taxes, pensions and postretirement benefits, recoverability of recorded amounts of fixed assets and cost in excess of net assets acquired, litigation and environmental obligations. Actual results could differ from these estimates.

Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), which is required to be adopted by fiscal 1997. SFAS 121 establishes the accounting standards for the impairment of long-lived assets, certain intangible assets and cost in excess of net assets acquired to be held and used and for long-lived assets and certain intangible assets to be disposed of. The Company has evaluated the adoption of SFAS 121 and does not consider the impact to be material.

4. ACQUISITIONS

On May 5, 1995, the Company acquired substantially all the assets and liabilities of the Defense Systems operations of Unisys Corporation ("Loral UDS") for $862,609,000, net of cash acquired. Additionally, acquisition expenses of $6,000,000 have been recorded. The assets and liabilities recorded in connection with the purchase price allocation were $1,229,852,000 and $361,243,000 respectively. The acquisition was financed through commercial paper borrowings.

On March 1, 1994, effective January 1, 1994, the Company, through its newly formed wholly owned subsidiary Loral Federal Systems Company ("LFS"), acquired substantially all the assets and liabilities of the Federal Systems Company, a division of International Business Machines Corporation, for $1,511,500,000 in cash, including acquisition costs. The assets and liabilities recorded in connection with the purchase price allocation were $1,857,655,000 and $346,155,000, respectively. The acquisition was financed through cash on hand and commercial paper borrowings.

The Company has acquired other businesses during 1996, 1995, and 1994. These acquisitions did not have a material effect on the operations of the Company.

The acquisitions of Loral UDS and LFS have been accounted for as purchases. As such, the Company's consolidated financial statements reflect the results of operations of the acquired entities from the respective effective dates of acquisition.

Had the acquisition of Loral UDS occurred on April 1, 1994, the unaudited proforma sales and net income for the year ended March 31, 1995 would have been $6,789,000,000 and $310,300,000. The results, which are based on various assumptions, are not necessarily indicative of what would have occurred had the acquisition been consummated as of April 1, 1994. The proforma effect of the acquisition of Loral UDS on the results of operations for the year ended March 31, 1996 is not material.

Performance under acquired contracts in process, the accounting for which is described in Note 5, contributed after-tax income of $16,786,000, $62,328,000 and $49,061,000, net of after-tax interest cost on debt related to the acquisitions and incremental amortization of cost in excess of net assets acquired aggregating $119,345,000, $85,922,000 and $29,125,000 for 1996, 1995, and 1994, respectively.

5. CONTRACTS IN PROCESS

Billings and accumulated costs and profits on long-term contracts, principally with the U.S. Government, comprise the following:

	MARCH 31, 1996	MARCH 31, 1995
	(IN THOUSANDS)	
Billed contract receivables	$ 510,415	$ 380,240
Unbilled contract receivables	1,573,267	1,702,967
Inventoried costs	583,350	477,955
	2,667,032	2,561,162
Less, unliquidated progress payments	(1,297,270)	(1,413,929)
Net contracts in process	$ 1,369,762	$ 1,147,233

Unbilled contract receivables represent accumulated costs and profits earned but not yet billed to customers at year-end. The Company believes that substantially all such amounts will be billed and collected within one year.

The following data has been used in the determination of costs and expenses:

	1996	1995	1994
	(IN THOUSANDS)		
Selling, general and administrative ("S,G&A") costs included in inventoried costs	$ 60,512	$ 51,468	$ 64,212
S,G&A costs incurred	624,718	563,342	462,890
Independent research and development, including bid and proposal costs, included in S,G&A costs incurred	249,445	228,005	172,604

In connection with the determination of the fair value of assets acquired (Note 4) and pursuant to the provisions of Accounting Principles Board Opinion No. 16, the Company has valued acquired contracts in process at contract price, minus the estimated cost to complete and an allowance for the Company's normal profit on its effort to complete such contracts.

6. PROPERTY, PLANT AND EQUIPMENT

	MARCH 31,	
	1996	1995
	(IN THOUSANDS)	
Land	$ 166,786	$ 106,879
Buildings and improvements	593,024	569,724
Machinery, equipment, furniture and fixtures	1,183,187	1,095,149
Leasehold improvements	137,428	128,052
	$2,080,425	$1,899,804

Depreciation and amortization expense in 1996, 1995 and 1994 was $201,213,000, $192,473,000, and $141,853,000, respectively.

7. DEBT

	MARCH 31,	
	1996	1995
	(IN THOUSANDS)	
Commercial paper (5.51% and 6.22% at March 31, 1996 and 1995, respectively)	$ 643,200	$ 241,811
7 5/8% Senior Notes due 2004	250,000	250,000
9 1/8% Senior Debentures due 2022	100,000	100,000
8 3/8% Senior Debentures due 2023	100,000	100,000
7% Senior Debentures due 2023	200,000	200,000
8 3/8% Senior Debentures due 2024	400,000	400,000
7 5/8% Senior Debentures due 2025	150,000	
Other	24,424	24,677
	1,867,624	1,316,488
Less current maturities	10,860	958
Total long-term debt	$1,856,764	$1,315,530

The aggregate maturities of long-term debt, excluding commercial paper borrowings classified as long-term, for the years 1997 through 2001 are as follows: $10,860,000, $1,324,000, $1,024,000, $978,000 and $1,050,000.

At March 31, 1996, the Company had a $1,200,000,000 revolving credit facility with a group of banks expiring in November 1999. This facility supported the Company's commercial paper borrowings and was available for other corporate purposes. The amount available for borrowings was reduced by the outstanding commercial paper. Borrowings were unsecured and bore interest, at the Company's option, at various rates based on the base rate, or on margins over the CD rate or EuroDollar rate. The Company paid a commitment fee on the unused portion. The margins and the commitment fee were subject to adjustment. Borrowings were prepayable at any time and were due at expiration. This facility was subsequently cancelled pursuant to the terms of the Merger Agreement, with the commercial paper outstanding at the closing date being supported by Lockheed Martin's revolving credit facility.

Commercial paper outstanding at March 31, 1996 is classified as long-term since the Company, through Lockheed Martin, intends to refinance these borrowings on a long-term basis either through continued commercial paper borrowings or the utilization of available credit facilities.

In May 1994, the Company increased its existing shelf registration statement to issue up to $800,000,000 of debt and equity securities. In June 1994, the Company issued $250,000,000 7 5/8% Senior Notes due 2004 and $400,000,000 8 3/8% Senior Debentures due 2024. In June 1995 the Company utilized the balance of its shelf registration statement by issuing $150,000,000 7 5/8% Senior Debentures due 2025. The proceeds were used to reduce outstanding commercial paper.

None of the Company's Senior Notes and Senior Debentures are redeemable prior to maturity or subject to sinking fund requirements.

8. INCOME TAXES

Income before income taxes consists of:

	1996	1995	1994
	(IN THOUSANDS)		
Domestic	$559,961	$448,322	$364,814
Foreign	40,331	29,301	5,463
Total	$600,292	$477,623	$370,277

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

	1996	1995	1994
	(IN THOUSANDS)		
Currently payable:			
Federal	$103,718	$ 45,273	$ 91,358
State and local	22,517	13,622	15,534
Foreign, principally Europe	14,116	10,792	4,028
	140,351	69,687	110,920
Deferred:			
Federal	70,909	100,993	21,491
State and local	5,145	10,776	6,009
	76,054	111,769	27,500
Total provision for income taxes	$216,405	$181,456	$138,420

The provision for income taxes excludes: current tax benefits related to the exercise of stock options, credited directly to Net Assets, of $21,132,000,

$4,503,000 and $3,643,000 for 1996, 1995 and 1994, respectively; a deferred tax benefit of $4,635,000, a deferred tax credit of $3,251,000 and a deferred tax benefit of $10,261,000, related to the additional minimum pension liability recorded directly to Net Assets for 1996, 1995 and 1994, respectively.

The effective income tax rate differs from the statutory Federal income tax rate for the following reasons:

	1996	1995	1994
Statutory Federal income tax rate	35.0%	35.0%	35.0%
Research and development and other tax credits	(1.8)	(.6)	(1.1)
State and local income taxes, net of Federal income tax benefit and state and local income tax credits	3.1	3.3	3.8
Foreign sales corporation tax benefit	(.6)	(.6)	(.7)
Other, net	.4	.9	.4
Effective income tax rate	36.1%	38.0%	37.4%

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

	MARCH 31, 1996	MARCH 31, 1995
	(IN THOUSANDS)	
Deferred tax assets:		
Postretirement benefits other than pensions	$177,857	$185,169
Inventoried costs	285,834	128,059
Intangible assets	25,145	33,149
Compensation and benefits	28,471	18,406
Other, net	28,546	21,315
	545,853	386,098
Deferred tax liabilities:		
Pension costs	208,642	175,146
Property, plant and equipment	18,206	49,815
Income recognition on long-term contracts	12,613	16,277
	239,461	241,238
Net deferred income tax asset	$306,392	$144,860

The net deferred income tax asset is classified as follows:

	MARCH 31, 1996	MARCH 31, 1995
	(IN THOUSANDS)	
Current deferred income tax asset	$309,359	$138,374
Long-term deferred income tax (liability) asset	$ (2,967)	$ 6,486

9. NET ASSETS

Stock Plans

Under the Company's 1994 Stock Option Plan, options were granted at fair market value at date of grant. Under the Company's various other stock option plans, options were granted at prices determined by the Compensation and Stock Option Committee (the "Committee"). The Committee determined the exercise and expiration dates of the options, which were not later than 10 years from the date of grant. Unearned compensation for options granted at less than their market value at date of grant was included as a component of Net Assets and was amortized over the period that the options vest.

Options outstanding have been granted at prices ranging from $2.78 to $35.06 per share. All share and per share amounts have been adjusted for a two-for-one stock split distributed to shareholders of record on September 21, 1995.

A summary of the option transactions follows:

	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Options outstanding, beginning of year.......	10,150	10,130	7,528
Options granted..............................	2,322	1,368	3,790
Options exercised............................	(2,149)	(1,058)	(1,016)
Exercise price per share.....................	($2.78 to $27.59)	($2.50 to $12.91)	($2.25 to $9.78)
Options cancelled............................	(437)	(290)	(172)
Options outstanding, end of year.............	9,886	10,150	10,130
Options exercisable, end of year.............	9,886	4,258	3,562

In July 1994, the shareholders approved an increase of 11,000,000 shares of common stock available for future grants. There were 0 shares, 9,960,604 shares and 102,052 shares of common stock available for future option grants at March 31, 1996, 1995 and 1994, respectively. In connection with the Merger, the Stock Option and Compensation Committee of the Board of Directors of Loral established January 12, 1996 as the accelerated date for vesting of all options. Of the 9,886,000 options exercisable at March 31, 1996, 468,000 options were exercisable by employees of SS/L. SS/L has agreed to pay the Company any difference between the market value of Loral stock at the time of exercise and the option price. Subsequent to March 31, 1996, all outstanding options were exercised and unissued options were cancelled.

Under the Company's Restricted Stock Purchase Plan, established in 1988, 4,000,000 shares of the Company's common stock were issued under the Plan, upon payment by the employee of the par value per share. The total number of shares earned under the Plan each year equaled 3% of the Company's pre-tax profit divided by the grant value (currently $210 per share) of restricted shares outstanding. Any shares not earned at the earlier of completion of the seventh year after grant or termination of employment were essentially forfeited by being repurchased by the Company at par value. Under the Plan, 28,550 shares, 266,926 shares and 209,692 shares were earned for the years ended March 31, 1996, 1995 and 1994, respectively. At March 31, 1996 there were no shares still to be earned.

Net Assets

The components of certain amounts included in Net Assets are:

	1996	1995	1994
	(IN THOUSANDS)		
Unearned compensation--stock options...............		$10,651	$13,644
Unearned compensation--Restricted Stock Purchase Plan..		605	5,521
Cumulative translation adjustment..................	$ 5,956	2,804	1,904
Additional minimum pension liability..............	18,212	10,964	16,049
	$24,168	$25,024	$37,118

10. COMMITMENTS AND CONTINGENCIES

The Company leases certain facilities and equipment under agreements expiring at various dates through 2080. At March 31, 1996, future minimum payments for noncancellable operating and capital leases with initial or remaining terms in excess of one year are as follows:

	OPERATING LEASES			
	REAL ESTATE	EQUIPMENT	CAPITAL LEASES	TOTAL
	(IN THOUSANDS)			
1997	$ 41,249	$11,983	$11,394	$ 64,626
1998	26,383	8,067	1,243	35,693
1999	20,014	6,267	1,243	27,524
2000	10,918	5,395	1,243	17,556
2001	4,872	60	1,243	6,175
Thereafter	64,903	37	7,142	72,082
	$168,339	$31,809	$23,508	$223,656

Real estate lease commitments have been reduced by minimum sublease rentals of $73,772,000 due in the future under noncancellable subleases. The present value of the minimum lease payments for capital leases is $17,655,000 net of imputed interest of $5,853,000.

Leases covering major items of real estate and equipment contain renewal and or purchase options which may be exercised by the Company. Rent expense, net of sublease income of $8,286,000, $11,429,000 and $7,285,000 was $87,232,000, $84,884,000 and $60,891,000 in 1996, 1995 and 1994, respectively.

At March 31, 1996, outstanding letters of credit were approximately $265,232,000.

In October 1995, the Company agreed to guarantee $250,000,000 of bank debt of one of the Company's affiliates, Globalstar. In exchange for the guarantee, the Company will be issued warrants to purchase up to a 7% equity interest in Globalstar on a fully diluted basis. Subject to the approval of its shareholders, the warrants will be issued by Globalstar Telecommunications Limited ("GTL"), a general partner of Globalstar, and upon such approval, GTL will be issued additional warrants representing an approximate 2% equity interest in Globalstar. If GTL shareholder approval is not obtained, Globalstar will issue to the Company warrants to purchase partnership interests representing up to an 8% equity interest in Globalstar and no warrants will be issued to GTL. Globalstar has also agreed to pay the Company a fee equal to 1.5% per annum of the guaranteed amount outstanding under the bank financing. Such fee will be deferred and paid with interest commencing 90 days after the expiration of the bank financing. It is expected that Globalstar's other strategic partners will assume a portion of the guarantee. On December 15, 1995, Globalstar entered into a five-year $250 million credit agreement with a group of banks.

Under the terms of the Merger Agreement, Lockheed Martin agreed to assume the obligations of the Company as guarantor under the above described Credit Agreement and receive up to 60% of such warrants. At the time of Merger the amount of the guarantee was $200,300,000. In addition, Loral SpaceCom has agreed to (i) indemnify Lockheed Martin, under certain circumstances, for up to $100,000,000 for its guarantee of Globalstar's obligations under the Credit Agreement, and (ii) use reasonable efforts to cause Globalstar's partners to assume up to $150,000,000 of the obligations as guarantor under the Credit Agreement. To the extent Globalstar's partners agree to assume the obligations as guarantor, rights to a proportionate amount of such warrants will be transferred to them, and the Lockheed Martin guarantee and the Loral SpaceCom indemnification will be reduced accordingly.

Management is continually assessing its obligations with respect to applicable environmental protection laws. While it is difficult to determine the timing and ultimate cost to be incurred by the Company in order to comply with these laws, based upon available internal and external assessments, the Company believes that even without considering potential insurance recoveries, if any, there are no environmental loss contingencies that, individually or in the aggregate, would be material to the Company's operations. The Company accrues for these contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Company has been named a Potentially Responsible Party ("PRP") at a number of sites. In several of these situations Loral acquired the site pursuant to a purchase agreement which provided that the seller would retain liability for environmental remediation and related costs arising from occurrences prior to the sale. In other situations the Company is party to an interim or final allocation plan that has been accepted by other PRPs whose size and current financial condition make it probable that they will be able to pay the environmental costs apportioned to them. The Company believes that it has adequately accrued for future expenditures in connection with environmental matters and that such expenditures will not have a material adverse effect on its financial position or results of operations.

There are a number of lawsuits or claims pending against the Company and incidental to its business. However, in the opinion of management, the ultimate liability on these matters, if any, will not have a material adverse effect on the financial position or results of operations of the Company.

11. PENSIONS AND OTHER EMPLOYEE BENEFITS

Pensions

The Company maintains a number of pension plans, both contributory and noncontributory, covering certain employees. Eligibility for participation in these plans varies and benefits are generally based on members' compensation and years of service. The Company's funding policy is generally to contribute in accordance with cost accounting standards that affect government contractors, subject to the Internal Revenue Code and regulations thereon. Plan assets are invested primarily in U.S. government and agency obligations and listed stocks and bonds.

Pension cost (credit) includes the following components:

	1996	1995	1994
		(IN THOUSANDS)	
Service cost-benefits earned during the period	$ 57,155	$ 58,699	$ 29,530
Interest cost on projected benefit obligation	193,044	164,266	158,681
Actual return on plan assets	(594,981)	(4,814)	(271,974)
Net amortization and deferral	347,207	(236,759)	64,221
Total pension cost (credit)	$ 2,425	$ (18,608)	$ (19,542)

The following presents the plans' funded status and amounts recognized in the balance sheet:

	MARCH 31,			
	1996		1995	
	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS	ASSETS EXCEED ACCUMULATED BENEFITS	ACCUMULATED BENEFITS EXCEED ASSETS
	(IN THOUSANDS)			
Actuarial present value of benefit obligations:				
Vested benefits.......	$2,401,220	$221,387	$1,797,076	$162,120
Accumulated benefits..	$2,420,482	222,477	$1,807,500	$162,810
Effect of projected future salary increases...........	149,012	20,406	95,632	13,406
Projected benefits....	2,569,494	242,883	1,903,132	176,216
Plan assets at fair value..................	2,951,662	200,612	2,263,576	152,734
Plan assets in excess of (less than) projected benefit obligations....	382,168	(42,271)	360,444	(23,482)
Unrecognized net loss...	189,367	50,265	130,075	31,382
Unrecognized prior service (gain) cost related to plan amendments.............	(19,536)	24,388	814	9,389
Unrecognized net asset existing at transition.............	(1,523)	(1)	(1,882)	(1)
Additional minimum liability.............		(54,246)		(27,364)
Prepaid (accrued) pension cost...........	$ 550,476	$(21,865)	$ 489,451	$(10,076)

The principal actuarial assumptions were:

	1996	1995	1994
Discount rate..	7.5%	8.5%	7.75%
Rate of increase in compensation levels....................	4.5%	4.75%	4.75%
Expected long-term rate of return on plan assets...........	9.5%	9.5%	9.5%

Effective April 1, 1995, the Company adopted a non qualified supplemental pension plan covering certain employees, which provides for incremental pension payments from the Company's funds so that total pension payments equal amounts that would have been payable from the Company's principal pension plans if it were not for limitations imposed by income tax regulations. The annual pension cost of this plan has been included in the determination of total pension cost shown above and amounted to $2,225,000. The unfunded accumulated benefit obligation under this plan at March 31, 1996 has been included in the accrued pension cost shown above and amounted to $9,589,000.

Postretirement Health Care and Life Insurance Benefits

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

In March 1993 and March 1994, the Company adopted various plan amendments resulting in unrecognized prior service gains, which are being amortized commencing in the quarter following adoption.

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

	1996	1995	1994
	(IN THOUSANDS)		
Service cost--benefits earned during the period	$ 7,367	$ 8,263	$ 6,778
Interest cost on accumulated postretirement benefit obligation	32,064	31,340	42,117
Net amortization	(21,389)	(21,712)	(14,068)
Total postretirement health care and life insurance costs	$ 18,042	$ 17,891	$ 34,827

The following table presents the amounts recognized in the balance sheet:

	MARCH 31,	
	1996	1995
	(IN THOUSANDS)	
Accumulated postretirement benefit obligation:		
Retirees	$330,032	$293,506
Fully eligible plan participants	51,481	31,311
Other active plan participants	73,498	58,011
Total accumulated postretirement benefit obligation	$455,011	382,828
Unrecognized prior service gain related to plan amendments	209,839	231,019
Unrecognized net loss	(87,192)	(12,012)
Accrued postretirement health care and life insurance costs	$577,658	$601,835

Actuarial assumptions used in determining the accumulated postretirement benefit obligation include a discount rate of 7.5% and 8.5% for 1996 and 1995, respectively, and an assumed health care cost trend rate of 10.6% decreasing gradually to an ultimate rate of 5.5% by the year 2003. Changing the assumed health care cost trend rate by 1% in each year would change the accumulated postretirement benefit obligation at March 31, 1996 by approximately $44,000,000 and the aggregate service and interest cost components for 1996 by approximately $4,300,000.

Employee Savings Plans

Under its various employee savings plans, the Company matches the contributions of participating employees up to a designated level. The extent of the match, vesting terms and the form of the matching contribution vary among the plans. Under the plans, the matching contributions, in cash, Loral common stock or both, for 1996, 1995 and 1994 were $26,107,000, $26,701,000, and $22,929,000 respectively.

Postemployment Benefits

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

12. FINANCIAL INSTRUMENTS

The Company's financial instruments recorded on the balance sheet include cash and cash equivalents and debt. Due to their short maturity, the fair value of cash and cash equivalents approximates carrying value. The fair value of the Company's debt, based on quoted market prices or current rates for similar instruments with the same maturities, was approximately $1,928,234,000 and $1,262,841,000 at March 31, 1996 and 1995, respectively.

The Company uses off balance sheet derivative financial instruments, including foreign currency forward contracts and interest rate hedge transactions, to minimize foreign currency and interest rate risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

Foreign Currency Hedges

The majority of the Company's foreign currency forward contracts are entered into at the direction of the customer pursuant to contractual requirements. Any gain or loss on the hedges accrues for the benefit or detriment of the customer and does not expose the Company to risk.

The Company had open forward contracts to sell approximately 31,800,000 Pounds Sterling and 41,500,000 Pounds Sterling as of March 31, 1996 and 1995, respectively, to minimize the effect of currency exposure on future cash payments from foreign operations. At March 31, 1996 and 1995, the fair value of these forward contracts was not material. Gains and losses on foreign currency forward contracts are recorded when the transactions being hedged are realized. For the years ended March 31, 1996 and 1995, gains and losses on these contracts were not material. Other forward contracts are not material.

Interest Rate Hedges

At March 31, 1994, to fix the effective interest rates on the anticipated refinancing of outstanding commercial paper, the Company entered into interest rate hedges by selling U.S. Treasury forward contracts with a notional value of $500,000,000. The hedges were closed in June 1994 upon the issuance of the $250,000,000 7 5/8% Senior Notes due 2004 and the $400,000,000 8 3/8% Senior Debentures due 2024. The net realized gain of $17,073,000 was deferred and is being amortized on a pro rata basis over the term of the Senior Notes and Senior Debentures.

13. SALES TO PRINCIPAL CUSTOMERS

The Company operates primarily in one industry segment, government electronic systems. Sales to principal customers are as follows:

	1996	1995	1994
	(IN THOUSANDS)		
U.S. Government Agencies	$3,951,200	$3,548,585	$2,578,004
Foreign (principally foreign governments)	1,124,667	1,021,284	564,612
Other (principally U.S. Government end use)	1,046,888	914,532	866,117
	$6,122,755	$5,484,401	$4,008,733

Foreign sales comprise the following:

	1996	1995	1994
	(IN THOUSANDS)		
Export sales:			
Asia	$ 282,585	$ 234,307	$227,312
Middle East	136,419	151,152	91,049
Europe	132,717	96,257	106,546
Other	56,820	19,716	28,289
	608,541	501,432	453,196
Foreign operations, principally Europe	516,126	519,852	111,416
Total foreign sales	$1,124,667	$1,021,284	$564,612

14. RELATED PARTY TRANSACTIONS

The Company has a number of transactions with Space and Communications Operations. Management believes that the arrangements are as favorable to the Company as could be obtained from unaffiliated parties. The following describes the related-party transactions.

The Company bills certain operational, executive, administrative, financial, legal and other services to SS/L and SS/L charges the Company certain overhead costs. Net costs billed to SS/L were $9,108,000, $11,907,000, and $9,446,000 in 1996, 1995 and 1994, respectively. In addition, the Company sells products to SS/L; net sales to SS/L were $37,721,000, $26,031,000, and $15,769,000 in 1996, 1995 and 1994, respectively. Included in other Current Assets are receivables from SS/L of $17,084,000 and $6,548,000 at March 31, 1996 and 1995, respectively. The Company and SS/L have a tax sharing agreement whereby certain tax liabilities and benefits are shared equitably. The Company has guaranteed performance of SS/L under one commercial contract. To date, SS/L has performed satisfactorily under this contract, and management believes that it will be successfully completed.

Two of the Company's divisions have entered into contracts, totaling $28,744,000, to construct a portion of the Globalstar System. Sales to Globalstar were $8,182,000 and $7,429,000 in 1996 and 1995 respectively. Included in Other Current Assets are receivables from Globalstar of $3,936,000 and $2,248,000 at March 31, 1996 and 1995, respectively.

The Company and K&F have agreements covering various real property occupancy arrangements and agreements under which the Company and K&F provide certain services, such as benefits administration, treasury, accounting and legal services to each other. The charges for these services, as agreed to by the Company and K&F, are based upon the actual cost incurred in providing the services without a profit. These transactions between the Company and K&F were not significant. Sales to K&F were $3,930,000, $4,181,000, and $6,785,000 in 1996, 1995 and 1994, respectively.