SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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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): January 7, 1996

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of incorporation)

1-11437	52-1893632
(Commission File Number)	(IRS Employer Identification No.)

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

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

Not applicable

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS

On January 7, 1996, the Registrant and Loral Corporation entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") among the Registrant, Loral Corporation and LAC Acquisition Corporation, a wholly-owned subsidiary of the Registrant ("LAC"), providing for the transactions that will result in Loral Corporation becoming a subsidiary of the Registrant and the spin-off by Loral Corporation to Loral Corporation shareholders (the "Spin-Off") of shares of stock in Loral Space & Communications Ltd., a newly-formed Bermuda company ("Loral Space") that will then own substantially all of the space and satellite telecommunications interests of Loral Corporation. Under the terms of the Merger Agreement, LAC will commence a cash tender offer on or before January 12, 1996 for all outstanding shares of common stock, par value $.25 per share, of Loral (the "Loral Common Stock") at a price of $38.00 per share. Consummation of the tender offer is subject to, among other things, at least two-thirds of the shares of Loral Common Stock, determined on a fully-diluted basis, being validly tendered and not withdrawn prior to the expiration of the tender offer, applicable regulatory approvals and the occurrence of the Spin-Off Record Date (as defined below). A copy of each of the Merger Agreement and the joint press release of the Registrant and Loral Corporation announcing the transaction is filed herewith as an exhibit and incorporated by reference herein.

Also filed herewith as an exhibit and incorporated by reference herein is a copy of the Restructuring, Financing and Distribution Agreement among the Registrant, Loral Corporation, Loral Telecommunications Acquisition, Inc., a wholly-owned subsidiary of Loral Corporation (to be reorganized as Loral Space), and certain other wholly-owned subsidiaries of Loral Corporation, concurrently with the execution of the Merger Agreement, which provides, among other things, for (i) the transfer of substantially all of the space and satellite telecommunications interests of Loral Corporation and certain other assets of Loral Corporation to Loral Space, (ii) the distribution of all of the shares of Loral Space common stock to holders of Loral Common Stock and persons entitled to acquire shares of Loral Common Stock, each as of a record date (the "Spin-Off Record Date") to be declared by the Board of Directors of Loral Corporation and to be a date on or immediately prior to the consummation of the tender offer, and (iii) Loral Corporation to retain a 20% equity interest in Loral Space through the ownership of Loral Space preferred stock convertible into common stock.

The Registrant cautions that certain forward looking statements contained in the press release including, without limitation, the effect of the merger of the Registrant and Loral Corporation on the Registrant's earnings and cash flows, are qualified by important factors that could cause actual operating results to differ materially from those described in the press release, including among others, the following: (i) unanticipated events and circumstances may occur rendering the transaction less beneficial to the Registrant than projected; (ii) the Registrant and Loral Corporation face intense competition in their markets, a substantial portion of their business is obtained through the submission of competitive proposals, and there is, accordingly, no guarantee that after consummation of the merger the Registrant will achieve the expected financial and operating results and synergies; (iii) the Registrant and Loral Corporation rely heavily upon government contracts, particularly national security and defense related contracts,

and there can be no assurance that government programs from which these contracts are derived will not be reduced in scope or terminated at the convenience of the government, rendering the merger less advantageous than projected; and (iv) in order to secure the requisite antitrust and other approvals for the merger, the Registrant may be required to divest or hold separate certain assets which would render the merger less beneficial than predicted. Results actually achieved thus may differ materially from the expected results described in the press release.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Exhibit 2.1 Agreement and Plan of Merger dated as of January 7, 1996 among the Registrant, LAC Acquisition Company and Loral Corporation.

Exhibit 99.1 Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996 among the Registrant, Loral Corporation, Loral Telecommunications Acquisition, Inc. and certain other wholly-owned subsidiaries of Loral Corporation.

Exhibit 99.2 Press release of the Registrant and Loral Corporation dated January 8, 1996.

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/ FRANK H. MENAKER

Frank H. Menaker, Jr.
Vice President and General Counsel

12 January 1996

EXHIBIT INDEX

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EXHIBIT 2.1

Agreement and Plan of Merger dated as of January 7, 1996 among the Registrant, LAC Acquisition Corporation and Loral Corporation.

CONFORMED COPY

AGREEMENT AND PLAN OF MERGER

DATED AS OF JANUARY 7, 1996

BY AND AMONG

LORAL CORPORATION,

LOCKHEED MARTIN CORPORATION

AND

LAC ACQUISITION CORPORATION

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of January 7, 1996, is among LOCKHEED MARTIN CORPORATION, a Maryland corporation ("PARENT"), LAC ACQUISITION CORPORATION, a New York corporation and a wholly-owned subsidiary of Parent ("PURCHASER"), and LORAL CORPORATION, a New York corporation (the "COMPANY").

RECITALS

WHEREAS, the Boards of Directors of the Company, Parent and Purchaser deem it advisable and in the best interests of their respective stockholders that Parent acquire the Company (other than certain businesses thereof) pursuant to the terms and conditions set forth in this Agreement;

WHEREAS, as provided in the Restructuring, Financing and Distribution Agreement dated as of the date hereof herewith among Parent, the Company, Loral Telecommunications Acquisition, Inc. (to be renamed Loral Space & Communications Corporation), a Delaware corporation and wholly-owned subsidiary of the Company (including any successor in interest, "SPINCO"), Loral Aerospace Holdings, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("LAH"), and Loral Aerospace Corp., a Delaware corporation and wholly-owned subsidiary of LAH (the "DISTRIBUTION AGREEMENT"), prior to the expiration of the Offer (as defined in Section 1.1 hereof) the Company will cause Spinco to be restructured so that as a result thereof the Company's direct and indirect interests in Space Systems/Loral, Inc., a Delaware corporation, Globalstar L.P., a Delaware limited partnership, K&F Industries, Inc., a Delaware corporation, all rights to receive management and certain (but not all) guarantee fees therefrom, several commercial satellite and telecommunications projects in progress (including related FCC (as defined in Section 6.5 hereof) applications), a certain portion of the Company's leased corporate headquarters office space, the Company's corporate aircraft, certain rights and liabilities with respect to certain litigation in which the Company has an interest, the nonexclusive right to use certain intellectual property of the Company, the exclusive right, subject to a limited license granted to the Company, to the "Loral" name and such other rights and assets as shall be deemed Spinco Assets (as defined in the Distribution Agreement), will be owned directly or indirectly by Spinco and substantially all of the Company's other assets, liabilities and businesses will be owned directly by the Company or by Subsidiaries (as defined in the Distribution Agreement) of the Company other than Spinco and Subsidiaries of Spinco; and

WHEREAS, as provided in the Distribution Agreement, the Company will make a distribution to the Company's stockholders and to holders of Stock Options (as defined in Section 2.10 hereof) as of the Record Date (as defined in the Distribution Agreement), on a pro rata basis, of 100% of the shares of common stock, par value $.01 per share, of Spinco issued and outstanding immediately prior to such distribution (the "SPIN-OFF"); and

WHEREAS, as set forth in Section 6.10 hereof, as a condition to and in consideration of the transactions contemplated hereby, following the date hereof (a) the Company, Spinco and certain other parties will enter into a Tax Sharing Agreement substantially in the form attached hereto as Exhibit A with such changes as shall have been approved prior to the consummation of the Offer by the Company and Parent (or, following the consummation of the Offer, by a majority of the Continuing Directors (as defined in Section 8.4 hereof),

if any, and Parent) (the "TAX SHARING AGREEMENT" and, together with the Distribution Agreement, hereafter are collectively referred to as the "ANCILLARY AGREEMENTS");

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, Parent, Purchaser and the Company hereby agree as follows:

ARTICLE I

THE OFFER

SECTION 1.1. THE OFFER.

(a) Subject to this Agreement not having been terminated in accordance with the provisions of Section 8.1 hereof, Purchaser shall, and Parent shall cause Purchaser to, as promptly as practicable, but in no event later than five Business Days (as defined in the Distribution Agreement) from the date of the public announcement of the terms of this Agreement, commence an offer to purchase for cash (as it may be amended in accordance with the terms of this Agreement, the "OFFER") all of the Company's outstanding shares of common stock, par value $.25 per share, together with all preferred stock purchase rights associated therewith (the "SHARES"), subject to the conditions set forth in Exhibit B attached hereto, at a price of not less than $38.00 per Share, net to the seller in cash. Subject only to the conditions set forth in Exhibit B hereto and the express provisions of the Distribution Agreement, the Purchaser shall, and Parent shall cause Purchaser to, (i) accept for payment and pay for all Shares tendered pursuant to the terms of the Offer as promptly as practicable following the expiration date of the Offer, and (ii) extend the period of time the Offer is open until the first Business Day following the date on which the conditions set forth in clause (i)(A) and clause (i)(B) of Exhibit B hereto are satisfied or waived in accordance with the provisions thereof; provided, that the Purchaser shall be permitted, but shall not be obligated, to extend the period of time the Offer is open beyond June 30, 1996. Subject to the preceding sentence of this Section 1.1, neither Purchaser nor Parent will extend the expiration date of the Offer beyond the twentieth Business Day following commencement thereof unless one or more of the conditions set forth in Exhibit B hereto shall not be satisfied or unless Parent reasonably determines that such extension is necessary to comply with any legal or regulatory requirements relating to the Offer or the Spin-Off. Purchaser expressly reserves the right to amend the terms or conditions of the Offer; provided, that without the consent of the Company, no amendment may be made which (i) decreases the price per Share or changes the form of consideration payable in the Offer, (ii) decreases the number of Shares sought, or (iii) imposes additional conditions to the Offer or amends any other term of the Offer in any manner materially adverse to the holders of Shares. Upon the terms and subject to the conditions of the Offer, the Purchaser will accept for payment and purchase, as soon as permitted under the terms of the Offer, all Shares validly tendered and not withdrawn prior to the expiration of the Offer.

(b) Parent will not, nor will it permit any of its affiliates to, tender into the Offer any Shares beneficially owned by it; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Parent or any of its Subsidiaries shall not be deemed to be held by Parent or an affiliate thereof regardless of whether Parent has, directly or indirectly, the power to vote or control the disposition of such Shares. The Company will not, nor will it permit any of its Subsidiaries (other than Retained Subsidiaries (as defined in Section 4.1 hereof)) to, tender into the Offer any Shares beneficially owned by it; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of the Company or any of its Subsidiaries shall not be deemed to be held by the Company regardless of whether the Company has, directly or indirectly, the power to vote or control the disposition of such Shares.

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

(d) On the date of the commencement of the Offer, Purchaser shall file with the Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule 14D-1 with respect to the Offer which will contain an offer to purchase and form of the related letter of transmittal (together with any supplements or amendments thereto, the "OFFER DOCUMENTS"). The Company and its counsel shall be given a reasonable opportunity to review and comment on the Offer Documents prior to the filing of such Offer Documents with the SEC. Purchaser agrees to provide the Company and its counsel in writing with any comments Purchaser and its counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt thereof.

SECTION 1.2. COMPANY ACTIONS. The Company hereby consents to the Offer and represents that its Board of Directors (at a meeting duly called and held) has unanimously (a) determined as of the date hereof that the Offer, the Merger (as defined in Section 2.1 hereof) and the Spin-Off are fair to the stockholders of the Company and are in the best interests of the stockholders of the Company and (b) resolved to recommend acceptance of the Offer and approval and adoption of this Agreement and the Merger by the stockholders of the Company which approval constitutes approval of each of the transactions contemplated by this Agreement for purposes of Sections 902 and 912 of the New York Business Corporation Law ("NYBCL"). The Company further represents that Lazard Freres & Co. LLC has delivered to the Board of Directors of the Company its opinion that the consideration to be received by the holders of Shares in the Offer, the Merger and the Spin-Off is fair to the holders of the Company's common stock from a financial point of view. The Company hereby agrees to file a Solicitation/Recommendation Statement on Schedule 14D-9 (the "SCHEDULE 14D-9") containing such recommendation with the SEC (and the information required by Section 14(f) of the Exchange Act if Parent shall have furnished such information to the Company in a timely manner) and to mail such Schedule 14D-9 to the stockholders of the Company; provided, that subject to the provisions of Section 6.2(a) hereof, such recommendation may be withdrawn, modified or amended. Such Schedule 14D-9 shall be, if so requested by Purchaser, filed on the same date as Purchaser's Schedule 14D-1 is filed and mailed together with the Offer Documents; provided, that in any event the Schedule 14D-9 shall be filed and mailed no later than 10 Business Days following the commencement of the Offer. Purchaser and its counsel shall be given a reasonable opportunity to review and comment on such Schedule 14D-9 prior to the Company's filing of the Schedule 14D-9 with the SEC. The Company agrees to provide Parent and its counsel in writing with any comments the Company or its counsel may receive from the SEC or its staff with respect to such Schedule 14D-9 promptly after the receipt thereof.

SECTION 1.3. STOCKHOLDER LISTS. In connection with the Offer, at the request of Parent or Purchaser, from time to time after the date hereof, the Company will promptly furnish Purchaser with mailing labels, security position listings and any available listing or computer file containing the names and addresses of the record holders of the Shares as of a recent date and shall furnish Purchaser with such information and assistance as Purchaser or its agents may reasonably request in communicating the Offer to the record and beneficial holders of Shares.

SECTION 1.4. COMPOSITION OF THE BOARD OF DIRECTORS; SECTION 14(F). In the event that Purchaser acquires at least a majority of the Shares outstanding pursuant to the Offer, Parent shall be entitled to designate for appointment or election to the Company's Board of Directors, upon written notice to the Company, such number of persons so that the designees of Parent constitute the same percentage (but in no event less than a majority) of the Company's Board of Directors (rounded up to the next whole number) as the percentage of Shares acquired in connection with the Offer. Prior to consummation of the Offer, the Board of Directors of the Company will obtain the resignation of such number of directors as is necessary to enable such number of Parent designees to be so elected. In connection therewith, the Company will mail to the stockholders of the Company the information required by Section 14(f) of the Exchange Act and Rule 14f-1 thereunder unless such information has previously been provided to such stockholders in the Schedule 14D-9. Parent and Purchaser will provide to the Company in writing, and be solely responsible for, any information with respect to such companies and their nominees, officers, directors and affiliates required by such Section and Rule. Notwithstanding the provisions of this Section 1.4, the parties hereto shall use their respective best efforts to ensure that at least three of the members of the Company's Board of Directors shall, at all times prior to the Effective Time (as defined in

Section 2.2 hereof) be, Continuing Directors (as defined in Section 8.4 hereof).

ARTICLE II

THE MERGER

SECTION 2.1. THE MERGER. Upon the terms and subject to the conditions hereof, and in accordance with the NYBCL, Purchaser shall be merged (the "MERGER") with and into the Company as soon as practicable following the satisfaction or waiver of the conditions set forth in Article VII hereof or on such other date as the parties

hereto may agree (such agreement to require the approval of a majority of the Continuing Directors if at the time there shall be any Continuing Directors). Following the Merger the Company shall continue as the surviving corporation (the "SURVIVING CORPORATION") and the separate corporate existence of Purchaser shall cease.

SECTION 2.2. EFFECTIVE TIME. The Merger shall be consummated by filing with the New York Secretary of State a certificate of merger or, if applicable, a certificate of ownership and merger, executed in accordance with the relevant provisions of the NYBCL (the time the Merger becomes effective being the "EFFECTIVE TIME").

SECTION 2.3. EFFECTS OF THE MERGER. The Merger shall have the effects set forth in the NYBCL. As of the Effective Time the Company shall be a wholly-owned subsidiary of Parent.

SECTION 2.4. CERTIFICATE OF INCORPORATION AND BY-LAWS. The Restated Certificate of Incorporation and By-Laws of the Company as in effect at the Effective Time, shall be the Certificate of Incorporation and By-Laws of the Surviving Corporation until amended in accordance with applicable Law; provided, that promptly following the Effective Time, the Certificate of Incorporation shall be amended to change the name of the Surviving Corporation so that the word "Loral" shall be deleted therefrom.

SECTION 2.5. DIRECTORS. The directors of Purchaser at the Effective Time shall be the initial directors of the Surviving Corporation and will hold office from the Effective Time until their respective successors are duly elected or appointed and qualify in the manner provided in the Certificate of Incorporation and By-Laws of the Surviving Corporation, or as otherwise provided by Law.

SECTION 2.6. OFFICERS. The officers of Purchaser at the Effective Time shall be the initial officers of the Surviving Corporation and will hold office from the Effective Time until their respective successors are duly elected or appointed and qualify in the manner provided in the Certificate of Incorporation and By-Laws of the Surviving Corporation, or as otherwise provided by Law.

SECTION 2.7. CONVERSION OF SHARES. At the Effective Time:

(a) Each Share issued and outstanding immediately prior to the Effective Time (other than Shares held in the treasury of the Company or held by any Subsidiary of the Company (other than a Retained Subsidiary), and other than Dissenting Shares (as defined in Section 3.1 hereof)) shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive $38.00 in cash, or any higher price paid per Share in the Offer (the "MERGER PRICE"), payable to the holder thereof, without interest thereon, upon the surrender of the certificate formerly representing such Share (except as provided in Section 2.10(c) hereof).

(b) Each Share held in the treasury of the Company or held by any Subsidiary of the Company (other than a Retained Subsidiary) and each Share held by Parent or any Subsidiary of Parent immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be cancelled and retired and cease to exist; provided, that Shares held beneficially or of record by any plan, program or arrangement sponsored or maintained for the benefit of employees of Parent or the Company or any Subsidiaries thereof shall not be deemed to be held by Parent or the Company regardless of whether Parent or the Company has, directly or

indirectly, the power to vote or control the disposition of such Shares.

SECTION 2.8. RESERVED.

SECTION 2.9. CONVERSION OF PURCHASER'S COMMON STOCK. Each share of common stock, par value $.01 per share, of Purchaser issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and exchangeable for one share of common stock of the Surviving Corporation.

SECTION 2.10. STOCK OPTIONS AND STOCK AWARDS.

(a) The Company shall take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by this Section 2.10) necessary to provide that all outstanding options and other rights to acquire Shares ("STOCK OPTIONS") granted under any stock option plan, program or similar

arrangement of the Company or any Subsidiaries, each as amended (the "OPTION PLANS"), shall become fully exercisable and vested on the date (the "VESTING DATE") which shall be set by the Company and which, in any event, shall be not less than 30 days prior to the consummation of the Offer, whether or not otherwise exercisable and vested. All Stock Options which are outstanding immediately prior to Purchaser's acceptance for payment and payment for Shares tendered pursuant to the Offer shall be cancelled as of the consummation of the Offer and the holders thereof (other than holders who are subject to the reporting requirements of Section 16(a) of the Exchange Act) shall be entitled to receive from the Company, for each Share subject to such Stock Option, (1) an amount in cash equal to the difference between the Merger Price and the exercise price per share of such Stock Option, which amount shall be payable upon consummation of the Offer, plus (2) one share of Spinco Common Stock (as defined in the Distribution Agreement), which shall be held by an escrow agent pending delivery on the Distribution Date. All applicable withholding taxes attributable to the payments made hereunder or to distributions contemplated hereby shall be deducted from the amounts payable under clause (1) above and all such taxes attributable to the exercise of Stock Options on or after the Vesting Date shall be withheld from the proceeds received in the Offer or the Merger, as the case may be, in respect of the Shares issuable on such exercise.

(b) The Company shall take all actions (including, but not limited to, obtaining any and all consents from employees to the matters contemplated by this Section 2.10) necessary to provide that all restrictions on transferability with respect to each Share which is granted pursuant to the Company's 1987 Restricted Stock Purchase Plan (the "1987 PLAN") and which is outstanding and not vested on the Vesting Date shall lapse, and each such Share shall become free of restrictions as of the Vesting Date. All applicable withholding taxes attributable to the vesting of restricted Shares shall be withheld from the proceeds received in respect of such Shares in the Offer or the Merger, as the case may be.

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

SECTION 2.11. STOCKHOLDERS' MEETING. If required by applicable Law in order to consummate the Merger, the Company, acting through its Board of Directors, shall, in accordance with applicable Law, its Restated Certificate of Incorporation and By-Laws and the rules and regulations of the New York Stock Exchange:

(a) duly call, give notice of, convene and hold a special meeting of its stockholders as soon as practicable following the consummation of the Offer

for the purpose of considering and taking action upon this Agreement (the "STOCKHOLDERS' MEETING");

(b) subject to its fiduciary duties under applicable Laws as advised by counsel, include in the Information Statement prepared by the Company for distribution to stockholders of the Company in advance of the Stockholders' Meeting in accordance with Regulation 14C promulgated under the Exchange Act (the "INFORMATION STATEMENT") the recommendation of its Board of Directors referred to in Section 1.2 hereof; and

(c) use its best efforts to (i) obtain and furnish the information required to be included by it in the Information Statement, and, after consultation with Parent, respond promptly to any comments made by the SEC with respect to the Information Statement and any preliminary version thereof and cause the Information Statement to be mailed to its stockholders following the consummation of the Offer and (ii) obtain the necessary approvals of this Agreement by its stockholders.

Parent will provide the Company with the information concerning Parent and Purchaser required to be included in the Information Statement and will vote, or cause to be voted, all Shares owned by it or its Subsidiaries in favor of approval and adoption of this Agreement.

SECTION 2.12. FILING OF CERTIFICATE OF MERGER. Upon the terms and subject to the conditions hereof, as soon as practicable following the satisfaction or waiver of the conditions set forth in Article VII hereof, the Company shall execute and file a certificate of merger or, if applicable, a certificate of ownership and merger, in the manner required by the NYBCL and the parties hereto shall take all such other and further actions as may be required by Law to make the Merger effective. Prior to the filings referred to in this Section 2.12, a closing will be held at the offices of O'Melveny & Myers, 153 East 53rd Street, New York, New York (or such other place as the parties may agree), for the purpose of confirming all of the foregoing.

ARTICLE III

DISSENTING SHARES; EXCHANGE OF SHARES

SECTION 3.1. DISSENTING SHARES. Notwithstanding anything in this Agreement to the contrary, Shares which are issued and outstanding immediately prior to the Effective Time and which are held by stockholders who have not voted such Shares in favor of the Merger and shall have delivered a written demand for appraisal of such Shares in the manner provided in the NYBCL (the "DISSENTING SHARES") shall not be converted into or be exchangeable for the right to receive the consideration provided in Section 2.7 of this Agreement, unless and until such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to appraisal and payment under the NYBCL. If such holder shall have so failed to perfect or shall have effectively withdrawn or lost such right, such holder's Shares shall thereupon be deemed to have been converted into and to have become exchangeable for, at the Effective Time, the right to receive the consideration provided for in Section 2.7(a) of this Agreement, without any interest thereon.

SECTION 3.2. EXCHANGE OF SHARES.

(a) Prior to the Effective Time, Parent shall designate a bank or trust company to act as exchange agent in the Merger (the "EXCHANGE AGENT"). Immediately prior to the Effective Time, Parent will take all steps necessary to enable and cause the Company to deposit with the Exchange Agent the funds necessary to make the payments contemplated by Section 2.7 on a timely basis.

(b) Promptly after the Effective Time, the Exchange Agent shall mail to each record holder, as of the Effective Time, of an outstanding certificate or certificates which immediately prior to the Effective Time represented Shares (the "CERTIFICATES") a form letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates for payment therefor. Upon surrender to the Exchange Agent of a Certificate, together with such letter of transmittal duly executed, and any other required documents, the holder of such Certificate shall be entitled to receive in exchange therefor the consideration set forth in Section 2.7(a) hereof, and

such Certificate shall forthwith be cancelled. No interest will be paid or accrued on the cash payable upon the surrender of the Certificates. If payment is to be made to a person other than the person in whose name the Certificate surrendered is registered, it shall be a condition of payment that the Certificate so surrendered shall be properly endorsed or otherwise in proper form for transfer and that the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of the Certificate surrendered or establish to the satisfaction
of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered in accordance with the provisions of this Section 3.2, each Certificate (other than Certificates representing Shares held by Parent or any subsidiary of Parent, Shares held in the treasury of the Company or held by any subsidiary of the Company and Dissenting Shares) shall represent for all purposes only the right to receive the consideration set forth in Section 2.7(a) hereof, without any interest thereon.

(c) After the Effective Time there shall be no transfers on the stock transfer books of the Surviving Corporation of the Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for the consideration provided in Article II hereof in accordance with the procedures set forth in this Article III.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Purchaser as follows:

SECTION 4.1. ORGANIZATION. Each of the Company and its Subsidiaries that will be owned, directly or indirectly, by the Company following the Spin-Off (the "RETAINED SUBSIDIARIES") is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except in the case of Retained Subsidiaries where the failure to be so existing and in good standing or to have such power and authority would not in the aggregate have a Material Adverse Effect (as defined below). For purposes of this Agreement (except as provided in Section 5.1 hereof), (a) the term "MATERIAL ADVERSE EFFECT" shall mean any change or effect that is reasonably likely to be materially adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Retained Business (as hereinafter defined) taken as a whole, or (ii) the ability of (A) the Company to perform its obligations under this Agreement or the Distribution Agreement, or (B) Spinco to perform its obligations under the Distribution Agreement; and (b) the term "RETAINED BUSINESS" shall mean all of the businesses (and the Assets and Liabilities thereof (each as defined in the Distribution Agreement)) of the Company and its Subsidiaries, other than the Spinco Business (as defined in the Distribution Agreement). Each of the Company and the Retained Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except in such jurisdictions where the failure to be so duly qualified or licensed and in good standing would not in the aggregate have a Material Adverse Effect. The Company has heretofore delivered or made available to Parent accurate and complete copies of the Certificate of Incorporation and By-Laws (or other similar organizational documents in the event of any entity other than a corporation), as currently in effect of the Company and each of the Retained Subsidiaries.

SECTION 4.2. CAPITALIZATION.

(a) As of December 31, 1995, the authorized capital stock of the Company consisted of (i) 300,000,000 Shares, of which 173,068,379 Shares were issued and outstanding (inclusive of Shares subject to restrictions under the Company's 1987 Restricted Stock Purchase Plan), and (ii) 2,000,000 shares of Preferred Stock, par value $1.00 per share ("PREFERRED STOCK"), of which 250,000 shares were designated as Series A Preferred Stock, of which no shares were issued and outstanding. All of the issued and outstanding Shares are validly issued, fully paid and non-assessable and free of preemptive rights.

As of December 31, 1995, 11,131,234 Shares were issuable upon the exercise of outstanding vested and non-vested Stock Options. Since December 31, 1995, the Company has not granted any Stock Options or issued any shares of its capital stock except as set forth on Schedule 4.2(a) of the disclosure schedule delivered by the Company to Parent on or prior to the date hereof (the "DISCLOSURE SCHEDULE") or except upon exercise of Stock Options or pursuant to any existing Plan in accordance with the current terms of such Plan. Except as set forth above and as otherwise provided for in this Agreement, there are not now, and at the Effective Time there will not be, any shares of capital stock of the Company issued or outstanding or any subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character obligating the Company to issue, transfer or sell any of its securities other than the Rights (as defined in the Rights Agreement). Except as permitted by this Agreement, following the Merger, the Company will have no obligation to issue, transfer or sell any shares of its capital stock pursuant to any employee benefit plan or otherwise.

(b) All of the outstanding shares of capital stock of, or ownership interest in, each of the Retained Subsidiaries have been validly issued and are fully paid and non-assessable and are owned by either the Company or another of the Retained Subsidiaries free and clear of all Liens (as defined in the Distribution Agreement). There are not now, and at the Effective Time there will not be, any outstanding subscriptions, options, warrants, calls, rights, convertible securities or other agreements or commitments of any character relating to the issued or

unissued capital stock or other securities of any of the Retained Subsidiaries, or otherwise obligating the Company or any such subsidiary to issue, transfer or sell any such securities.

(c) There are not now, and at the Effective Time there will not be, any voting trusts or other agreements or understandings to which the Company or any of the Retained Subsidiaries is a party or is bound with respect to the voting of the capital stock of the Company or any of the Retained Subsidiaries.

SECTION 4.3. AUTHORITY RELATIVE TO THIS AGREEMENT. Each of the Company and each Company Subsidiary which is a party to any of the Ancillary Agreements (each such subsidiary, a "CONTRACTING SUBSIDIARY") has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements and to consummate the transactions contemplated hereby and thereby (but only to the extent it is a party thereto). The execution and delivery of this Agreement by the Company and of the Ancillary Agreements by the Company and each Contracting Subsidiary (to the extent it is a party thereto) and the consummation of the transactions contemplated hereby and thereby have been, or with respect to Contracting Subsidiaries will be prior to the Record Date, duly and validly authorized by the Boards of Directors of the Company and each Contracting Subsidiary (to the extent it is a party thereto) and no other corporate proceedings on the part of the Company or each Contracting Subsidiary (to the extent it is a party thereto), including, without limitation, any approval by the stockholders of the Company, are, or with respect to Contracting Subsidiaries will be prior to the Record Date, necessary to authorize this Agreement or the Ancillary Agreements or to consummate the transactions contemplated hereby or thereby (other than (a) with respect to the Merger, the approval and adoption of this Agreement by the holders of the requisite number of the outstanding Shares and (b) the establishment of the Record Date and the Distribution Date (each as defined in the Distribution Agreement) by the Board of Directors of the Company). This Agreement has been, and each of the Ancillary Agreements have been or will prior to the Record Date be, duly and validly executed and delivered by the Company and each Contracting Subsidiary (to the extent it is a party thereto) and constitute or (to the extent such agreement is not being entered into as of the date hereof) will constitute a valid and binding agreement of the Company and each Contracting Subsidiary (to the extent it is a party thereto), enforceable against the Company and each Contracting Subsidiary (to the extent it is a party thereto) in accordance with its terms except to the extent that enforcement thereof may be limited by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws, now or hereafter in effect, relating to the creditors' rights generally and (b) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity). The affirmative vote of the holders of two-thirds of the Shares, determined on a fully-diluted basis, is

the only vote of the holders of any class or series of Company capital stock necessary to approve the Merger.

SECTION 4.4. CONSENTS AND APPROVALS; NO VIOLATIONS. Except for any applicable requirements of the Securities Exchange Act of 1934, as amended, and all rules and regulations thereunder (the "EXCHANGE ACT"), the Securities Act of 1933, as amended, and all rules and regulations thereunder (the "SECURITIES ACT"), the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), the EC Merger Regulations (as defined below), and the Communications Act of 1934, as amended, and all rules and regulations promulgated thereunder (the "COMMUNICATIONS ACT"), the filing and recordation of a certificate of merger, or a certificate of ownership and merger, as required by the NYBCL, filing with and approval of the New York Stock Exchange, Inc. and the SEC with respect to the delisting and deregistering of the Shares, such filings and approvals as may be required under the "takeover" or "blue sky" Laws of various states, and as disclosed in Section 4.4 of the Disclosure Schedule or as contemplated by this Agreement and the Ancillary Agreements, neither the execution and delivery of this Agreement or the Ancillary Agreements by the Company or any Contracting Subsidiary (to the extent it is a party thereto) nor the consummation by the Company or any Contracting Subsidiary (to the extent it is a party thereto) of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach of any provision of the Certificate of Incorporation or By-Laws of the Company or any Contracting Subsidiary or Retained Subsidiary (other than those Retained Subsidiaries which, when taken together, would not be a "significant subsidiary" within the meaning of Regulation S-X promulgated under the Securities Act) (any such Retained Subsidiary, other than those described in the preceding parenthetical, herein called a "SIGNIFICANT RETAINED SUBSIDIARY"), (ii) require on the part of the Company or any Contracting Subsidiary or a Significant Retained Subsidiary any filing with, or the obtaining of any permit,

authorization, consent or approval of, any governmental or regulatory authority or any third party, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation, acceleration or payment, or to the creation of a lien or encumbrance) under any of the terms, conditions or provisions of any note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or obligation to which the Company, any Contracting Subsidiary or Retained Subsidiary or any of their respective Subsidiaries is a party or by which any of them or any of their Assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any Contracting Subsidiary or Retained Subsidiary, any of their respective Subsidiaries or any of their Assets, except for such requirements, defaults, rights or violations under clauses (ii), (iii) and (iv) above (x) which relate to jurisdictions outside the United States or which would not in the aggregate have a Material Adverse Effect or materially impair the ability of the Company or any Contracting Subsidiary to consummate the transactions contemplated by this Agreement, or (y) which become applicable as a result of the business or activities in which Parent or Purchaser is or proposes to be engaged (other than the business or activities of the Retained Business to be acquired by Purchaser, considered independently of the ownership thereof by Parent and Purchaser) or as a result of other facts or circumstances specific to Parent or Purchaser. For purposes of this Agreement, "EC MERGER REGULATIONS" mean Council Regulation (EEC) No. 4064/89 of December 21, 1989 on the Control of Concentrations Between Undertakings, OJ (1989) L 395/1 and the regulations and decisions of the Councilor Commission of the European Community (the "COMMISSION") or other organs of the European Union or European Community implementing such regulations.

SECTION 4.5. ABSENCE OF CERTAIN CHANGES. Except (a) as set forth in Section 4.5 of the Disclosure Schedule, (b) as set forth in the Company's Annual Report on Form 10-K for the year ended March 31, 1995 (the "FORM 10-K") or any other document filed prior to the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act, or (c) as contemplated by this Agreement or any of the Ancillary Agreements, from April 1, 1995 until the date hereof, neither the Company nor any of its Subsidiaries has taken any of the prohibited actions set forth in Section 6.1 (other than clause (l) thereof) hereof or suffered any changes that, in each case, either individually or in the aggregate, would result in a Material Adverse Effect or conducted its business or operations in any material respect other than in the ordinary and usual

course of business, consistent with past practices.

SECTION 4.6. NO UNDISCLOSED LIABILITIES. Except (a) for Liabilities and obligations incurred in the ordinary and usual course of business consistent with past practice since April 1, 1995, (b) for Liabilities incurred in connection with the Offer, the Merger and the Spin-Off and (c) as set forth in Section 4.6 of the Disclosure Schedule, from April 1, 1995 until the date hereof neither the Company nor any of its Subsidiaries has incurred any Liabilities that, individually or in the aggregate, would have a Material Adverse Effect and that would be required to be reflected or reserved against in a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with generally accepted accounting principles as applied in preparing the consolidated balance sheet of the Company and its Subsidiaries as of March 31, 1995 contained in the Form 10-K.

SECTION 4.7. REPORTS.

(a) The Company has filed all reports, forms, statements and other documents required to be filed with the SEC pursuant to the Exchange Act since April 1, 1991 (collectively, including, without limitation, any financial statements or schedules included or incorporated by reference therein, the "COMPANY SEC DOCUMENTS"). Each of the Company SEC Documents, as of its filing date and at each time thereafter when the information included therein was required to be updated pursuant to the rules and regulations of the SEC, complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act. None of the Company SEC Documents, as of their respective filing dates or any date thereafter when the information included therein was required to be updated pursuant to the rules and regulations of the SEC, contained or will contain any untrue statement of a material fact or omitted or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets (including the related notes) included in the Company SEC Documents filed prior to or after the date of this Agreement (but prior to the date on which the Offer is consummated, and excluding the Company SEC Documents described in Section 4.8 hereof) fairly presents or

will fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates thereof, and the other related statements (including the related notes) included therein fairly present or will fairly present in all material respects the results of operations and the cash flows of the Company and its Subsidiaries for the respective periods or as of the respective dates set forth therein. Each of the financial statements (including the related notes) included in the Company SEC Documents filed prior to or after the date of this Agreement (but prior to the date on which the Offer is consummated, and excluding the Company SEC Documents described in Section 4.8 hereof) has been prepared or will be prepared in all material respects in accordance with generally accepted accounting principles consistently applied during the periods involved, except (i) as otherwise noted therein, (ii) to the extent required by changes in generally accepted accounting principles or (iii) in the case of unaudited financial statements, normal recurring year-end audit adjustments.

(b) The Company has heretofore made available or promptly will make available to Purchaser a complete and correct copy of any amendments or modifications, which have not yet been filed with the SEC, to agreements, documents or other instruments which previously had been filed by the Company with the SEC pursuant to the Exchange Act.

(c) Except as and to the extent set forth in Section 4.7(c) of the Disclosure Schedule, the pro forma consolidated balance sheet and the pro forma statement of operations (including the related notes) of the Retained Business attached as Annex 1 to Section 4.7(c) of the Disclosure Schedule (the "DEFENSE FINANCIAL STATEMENTS") fairly presents on a pro forma basis in all material respects the consolidated financial position of the Retained Business as of the date thereof, and fairly presents on a pro forma basis in all material respects the consolidated results of operations of the Retained Business for the period set forth therein, respectively. The Defense Financial Statements have been prepared in all material respects in accordance with generally accepted accounting principles consistently applied during the periods involved, except as otherwise disclosed therein or in the notes

thereto.

SECTION 4.8. SCHEDULE 14D-9; OFFER DOCUMENTS; FORM 10; INFORMATION STATEMENT. None of the information (other than information provided in writing by Parent or Purchaser for inclusion therein) included in the Schedule 14D-9, the Form 10 (as defined in the Distribution Agreement (or any registration statement contemplated pursuant to Section 3.1(a) of the Distribution Agreement) or the Information Statement or supplied by the Company for inclusion in the Offer Documents, including any amendments thereto, will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. Except for information supplied by Parent in writing for inclusion therein, the Schedule 14D-9, the Form 10 (or any registration statement contemplated pursuant to Section 3.1(a) of the Distribution Agreement) and the Information Statement, including any amendments thereto, will comply in all material respects with the Exchange Act and the Securities Act.

SECTION 4.9. NO DEFAULT. Except as set forth in Section 4.9 of the Disclosure Schedule, neither the Company nor any of its Subsidiaries is in default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a default or violation) of any term, condition or provision of (i) its charter or its by-laws, (ii) any note, mortgage, indenture (including, without limitation, the Indenture dated January 15, 1992 with respect to the Company's 9 1/8% Senior Debentures due 2022, the Indenture dated September 1, 1993 with respect to the Company's 7 5/8% Senior Notes due 2004, 8 3/8% Senior Debentures due 2024 and 7 5/8% Senior Debentures due 2025, and the Indenture dated November 1, 1992 with respect to the Company's 7% Senior Debentures due 2023 and 8 3/8% Senior Debentures due 2023 (collectively, the "PUBLIC INDENTURES")), other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or contractual obligation to which the Company or any of its Subsidiaries is now a party or by which they or any of their Assets may be bound, or (iii) any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its Subsidiaries, except for defaults or violations under clause (i) (with respect to Company Subsidiaries other than the Retained Subsidiaries), clause (ii) (other than defaults under or violations of any of the Public Indentures or the Amended and Restated Credit Agreement dated as of November 23, 1994 between the Company and the

banks party thereto (the "CREDIT AGREEMENT")), and clause (iii) above which, (A) in the aggregate would not have a Material Adverse Effect and would not have a material adverse effect on the ability of the Company or Spinco to consummate the transactions contemplated by this Agreement or the Distribution Agreement, or (B) become applicable as a result of the business or activities in which Parent or Purchaser is or proposes to be engaged (other than the business or activities of the Retained Business to be acquired by Purchaser, considered independently of the ownership thereof by Parent and Purchaser) or as a result of any other facts or circumstances specific to Parent or Purchaser.

SECTION 4.10. LITIGATION; COMPLIANCE WITH LAW.

(a) Except as set forth in Section 4.10(a) of the Disclosure Schedule, as of the date hereof (except as provided in the following sentence), there are no actions, suits, claims, proceedings or investigations pending or, to the best knowledge of the Company, threatened, involving the Company or any of its Subsidiaries or any of their respective Assets (or any person or entity whose liability therefrom may have been retained or assumed by the Company or any of its Subsidiaries either contractually or by operation of Law), by or before any court, governmental or regulatory authority or by any third party which, either individually or in the aggregate, would have a Material Adverse Effect. None of the Company, any of its Subsidiaries or any of their respective Assets is subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would have a Material Adverse Effect.

(b) Except as disclosed by the Company in the Company SEC Documents filed since April 1, 1995 (the "RECENT SEC DOCUMENTS") or Section 4.10(b) of the Disclosure Schedule, the Company and its Retained Subsidiaries are now being and in the past have been operated in substantial compliance with all Laws

except for violations which individually or in the aggregate do not, and, insofar as reasonably can be foreseen, will not, have a Material Adverse Effect.

SECTION 4.11. EMPLOYEE BENEFIT PLANS; ERISA.

(a) Except for those matters set forth in Section 4.11(a) of the Disclosure Schedule, (i) each "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), and all other employee benefit, bonus, incentive, stock option (or other equity-based), severance, change in control, welfare (including post-retirement medical and life insurance) and fringe benefit plans (whether or not subject to ERISA) maintained or sponsored by the Company or its Subsidiaries or any trade or business, whether or not incorporated, that would be deemed a "single employer" within the meaning of Section 4001 of ERISA (an "ERISA AFFILIATE"), for the benefit of any employee or former employee of the Company or any of its ERISA Affiliates (the "PLANS") is, and has been, operated in all material respects in accordance with its terms and in substantial compliance (including the making of governmental filings) with all applicable Laws, including, without limitation, ERISA and the applicable provisions of the Internal Revenue Code of 1986, as amended (the "CODE"), (ii) each of the Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the Internal Revenue Service (the "IRS") to be so qualified and is not under audit by the IRS or the Department of Labor and the Company knows of no fact or set of circumstances that is reasonably likely to adversely affect such qualification prior to the Effective Time, (iii) no material withdrawal liability with respect to any "multiemployer pension plan" (as defined in Section 3(37) of ERISA) would be incurred by the Company and its ERISA Affiliates if withdrawal from such plan were to occur on the Effective Time, (iv) no "reportable event", as such term is defined in Section 4043(c) of ERISA (for which the 30-day notice requirement to the PBGC has not been waived), has occurred with respect to any Plan that is subject to Title IV of ERISA, and (v) there are no material pending or, to the best knowledge of Company, threatened claims (other than routine claims for benefits) by, on behalf of or against any of the Plans or any trusts related thereto other than routine benefit claim matters.

(b) (i) No Plan has incurred an "Accumulated Funding Deficiency" (as defined in Section 302 of ERISA or Section 412 of the Code), whether or not waived, (ii) neither the Company nor any ERISA Affiliate has incurred any Liability under Title IV of ERISA except for required premium payments to the Pension Benefit Guaranty Corporation ("PBGC"), which payments have been made when due, and no events have occurred

which are reasonably likely to give rise to any Liability of the Company or an ERISA Affiliate under Title IV of ERISA or which could reasonably be anticipated to result in any claims being made against Buyer by the PBGC, and (iii) the Company has not incurred any material withdrawal liability (including any contingent or secondary withdrawal liability) within the meaning of Section 4201 and 4204 of ERISA to any multiemployer plan (within the meaning of Section 3(37) of ERISA) which has not been satisfied in full.

(c) Except as set forth in Section 4.11(c) of the Disclosure Schedule, with respect to each Plan that is subject to Title IV of ERISA (i) the Company has provided to Purchaser copies of the most recent actuarial valuation report prepared for such Plan, (ii) the assets and liabilities in respect of the accrued benefits as set forth in the most recent actuarial valuation report prepared by the Plan's actuary fairly present the funded status of such Plan in all material respects, and (iii) since the date of such valuation report there has been no material adverse change in the funded status of any such Plan.

(d) Neither the Company nor any ERISA Affiliate has failed to make any contribution or payment to any Plan or multiemployer plan which, in either case has resulted or could result in the imposition of a material lien or the posting of a material bond or other material security under ERISA or the Code.

(e) Except as otherwise set forth on Section 4.11(e) of the Disclosure Schedule or as expressly provided for in this Agreement, the consummation of the transactions contemplated by this Agreement or the Distribution Agreement will not (i) entitle any current or former employee or officer of the Company or any ERISA Affiliate to severance pay, unemployment compensation or any

other payment, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer.

SECTION 4.12. ASSETS; INTELLECTUAL PROPERTY.

(a) Except as set forth in Section 4.12(a) of the Disclosure Schedule, upon consummation of the Spin-Off, the Company and the Retained Subsidiaries will own or have rights to use all Assets necessary to permit the Company and the Retained Subsidiaries to conduct the Retained Business as it is currently being conducted except where the failure to own or have the right to use such Assets would not, individually or in the aggregate, have a Material Adverse Effect.

(b) To the knowledge of the Company, based solely upon inquiry of the Company's General Counsel and Chief Patent Counsel, the Company does not now and has not in the past used Intellectual Property in the Retained Business which conflicts with or infringes upon any proprietary rights of others except where such conflict or infringement would not have, individually or in the aggregate, a Material Adverse Effect. "INTELLECTUAL PROPERTY" means trademarks, trade names, service marks, service names, mark registrations, logos, assumed names, copyright registrations, patents and all applications therefor and all other similar proprietary rights.

SECTION 4.13. RESERVED.

SECTION 4.14. RESERVED.

SECTION 4.15. CERTAIN CONTRACTS AND ARRANGEMENTS. During the twelve months immediately prior to the date hereof, no significant contracts of the Retained Business have been cancelled or otherwise terminated and during such time the Company has not been threatened with any such cancellation or termination except, in each case, for cancelled or terminated contracts which, individually or in the aggregate, would not constitute a Material Adverse Effect.

SECTION 4.16. TAXES. Except as otherwise disclosed in Section 4.16 of the Disclosure Schedule and except for those matters which, either individually or in the aggregate, would not result in a Material Adverse Effect:

(a) The Company and each of its Subsidiaries have filed (or have had filed on their behalf) or will file or cause to be filed, all Tax Returns (as defined in Section 4.16(j)(3) hereof) required by applicable Law to be filed

by any of them prior to the consummation of the Offer, and all such Tax Returns and amendments thereto are or will be true, complete and correct.

(b) The Company and each of its Subsidiaries have paid (or have had paid on their behalf) all Taxes (as defined in Section 4.16(j)(2) hereof) due with respect to any period ending prior to or as of the expiration of the Offer), or where payment of Taxes is not yet due, have established (or have had established on their behalf and for their sole benefit and recourse), or will establish or cause to be established before the consummation of the Offer, an adequate accrual for the payment of all such Taxes which have accrued prior to expiration of the Offer other than Taxes directly attributable to the transactions contemplated by the Distribution Agreement.

(c) There are no Liens for any Taxes upon the Assets of the Company or any of its Subsidiaries used primarily in the Retained Business, other than statutory liens for Taxes not yet due and payable and Liens for real estate Taxes being contested in good faith.

(d) No Audit (as defined in Section 4.16(j)(3)) is pending with respect to any Taxes due from the Company or any Subsidiary. There are no outstanding waivers extending the statutory period of limitation relating to the payment of Taxes due from the Company or any Subsidiary for any taxable period ending prior to the expiration of the Offer which are expected to be outstanding as of the expiration of the Offer.

(e) Neither the Company nor any subsidiary is a party to, is bound by, or has any obligation under, a tax sharing contract or other agreement or arrangement for the allocation, apportionment, sharing, indemnification, or payment of Taxes, other than the Tax Sharing Agreement.

(f) Neither the Company nor any of its Subsidiaries has made an election under Section 341(f) of the Code.

(g) The statute of limitations for all Tax Returns of the Company and each of its Subsidiaries for all years through 1987 have expired for all federal, state, local and foreign tax purposes, or such Tax Returns have been subject to a final Audit.

(h) Neither the Company nor any of its Subsidiaries has received any written notice of deficiency, assessment or adjustment from the Internal Revenue Service or any other domestic or foreign governmental taxing authority that has not been fully paid or finally settled, and any such deficiency, adjustment or assessment shown on such schedule is being contested in good faith through appropriate proceedings and adequate reserves have been established on the Company's financial statements therefor. To the best of their knowledge, there are no other deficiencies, assessments or adjustments threatened, pending or assessed with respect to the Company or any of its Subsidiaries.

(i) Except as contemplated by this Agreement and the Ancillary Documents or as disclosed in the Recent SEC Documents, neither the Company nor any of its Subsidiaries is a party to any agreement, contract or other arrangement that would result, separately or in the aggregate, in the requirement to pay any "excess parachute payments" within the meaning of Section 280G of the Code or any gross-up in connection with such an agreement, contract or arrangement.

(j) For purposes of this Section 4.16, capitalized terms have the following meaning:

(1) "AUDIT" shall mean any audit, assessment or other examination of Taxes or Tax Returns by the IRS or any other domestic or foreign governmental authority responsible for the administration of any Taxes, proceeding or appeal of such proceeding relating to Taxes.

(2) "TAXES" shall mean all Federal, state, local and foreign taxes, and other assessments of a similar nature (whether imposed directly or through withholding) including, but not limited to income, excise, property, sales, use (or any similar taxes), gains, transfer, franchise, payroll, value-added, withholding, Social Security, business license fees, customs, duties and other taxes, assessments, charges, or other fees imposed by a governmental authority, including any interest, additions to tax, or penalties applicable thereto.

(3) "TAX RETURNS" shall mean all Federal, state, local and foreign tax returns, declarations, statements, reports, schedules, forms and information returns and any amended Tax Return relating to Taxes.

SECTION 4.17. RETAINED BUSINESS FCC LICENSES. The licenses and permits issued to the Company or its Subsidiaries by the Federal Communications Commission and used in connection with the Retained Business are not individually or in the aggregate Important Licenses. "IMPORTANT LICENSES" means licenses or permits which are important to the Retained Business and which, if terminated, forfeited or otherwise not available to the Retained Business after the consummation of any of the transactions contemplated by this Agreement, would adversely affect the Retained Business in a significant manner.

SECTION 4.18. LABOR MATTERS. Except as set forth in Section 4.18 of the Disclosure Schedule, neither the Company nor any of the Retained Subsidiaries has, since April 1, 1993, (i) been subject to, or threatened with, any material strike, lockout or other labor dispute or engaged in any unfair labor practice, the result of which could have a Material Adverse Effect, or (ii) received notice of any pending petition for certification before the National Labor Relations Board with respect to any material group of Retained Employees (as defined in the Distribution Agreement) who are not currently organized.

SECTION 4.19. RIGHTS AGREEMENT. The Board of Directors of the Company has approved a form of Rights Agreement between the Company and the Rights Agent thereunder (the "RIGHTS AGREEMENT"), and a form of amendment thereto (the "RIGHTS AMENDMENT"); the Rights Agreement, as amended by the Rights Amendment, when each are executed and delivered by the Company and the Rights Agent,

shall (a) prevent this Agreement or the consummation of any of the transactions contemplated hereby or by the Distribution Agreement, including without limitation, the publication or other announcement of the Offer and the consummation of the Offer and the Merger, from resulting in the distribution of separate rights certificates or the occurrence of a Distribution Date (as defined in the Rights Agreement) or being deemed to be a Triggering Event (as defined in the Rights Agreement) or a Section 13 Event (as defined in the Rights Agreement) and (b) provide that neither Parent nor Purchaser shall be deemed to be an Acquiring Person (as defined in the Rights Agreement) by reason of the transactions expressly provided for in this Agreement.

SECTION 4.20. CERTAIN FEES. Except for Lazard Freres & Co. LLC and Lehman Brothers Inc., neither the Company nor any Subsidiary has employed any financial advisor or finder or incurred any Liability for any financial advisory or finders' fees in connection with this Agreement or the Ancillary Agreements or the transactions contemplated hereby or thereby.

SECTION 4.21. NO ADDITIONAL APPROVALS NECESSARY. The Board of Directors of the Company has taken all actions necessary under the Company's Restated Certificate of Incorporation and the NYBCL, including approving the transactions contemplated in this Agreement, to ensure that Section 912 of the NYBCL will not, prior to any termination of this Agreement, apply to this Agreement, the Offer, the Merger, the Spin-Off or the transactions contemplated hereby.

SECTION 4.22. MATERIALITY. The representations and warranties set forth in this Article IV would in the aggregate be true and correct even without the materiality exceptions or qualifications contained therein except for such exceptions and qualifications which, in the aggregate for all such representations and warranties, are not and could not reasonably be expected to constitute a Material Adverse Effect.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Parent and Purchaser represent and warrant to the Company as follows:

SECTION 5.1. ORGANIZATION. Each of Parent and Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the state of its incorporation and has all requisite corporate power and

authority to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not, in the aggregate, have a Material Adverse Effect (as defined below) on Parent or Purchaser. When used in connection with Parent or Purchaser, the term "MATERIAL ADVERSE EFFECT" means any change or effect that is materially adverse to the business, properties, operations, prospects results of operations or condition (financial or otherwise) of Parent and its Subsidiaries, taken as a whole.

SECTION 5.2. AUTHORITY RELATIVE TO THIS AGREEMENT. Each of Parent and Purchaser has full corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements (to the extent it is a party thereto) and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Agreements (to the extent it is a party thereto) and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by the Boards of Directors of Purchaser and Parent and no other corporate or other proceedings on the part of Parent, Purchaser or any of their affiliates are necessary to authorize this Agreement or the Ancillary Agreements (to the extent it is a party thereto) or to consummate the transactions so contemplated. This Agreement has been, and each of the Ancillary Agreements have been, or will prior to the Record Date be, duly and validly executed and delivered by each of Parent and Purchaser (to the extent it is a party thereto) and constitute or (to the extent such agreement is not being entered into as of the date hereof) will constitute valid and binding agreements of each of Parent and Purchaser, enforceable against each of Parent and Purchaser in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar Laws, now or hereafter in

effect, relating to creditors' rights generally and general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

SECTION 5.3. CONSENTS AND APPROVALS; NO VIOLATIONS. Except for applicable requirements of the Securities Act, the Exchange Act, Antitrust Laws, the Communications Act, the filing and recordation of a certificate of merger, or a certificate of ownership and merger, as required by the NYBCL, any filings required by the Investment Canada Act, such filings and approvals as may be required under the "takeover" or "blue sky" Laws of various states, and as contemplated by this Agreement and the Ancillary Agreements, neither the execution and delivery of this Agreement or the Ancillary Agreements by Parent or Purchaser (to the extent it is a party thereto) nor the consummation by Parent or Purchaser of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach of any provision of the charter or by-laws of Parent or Purchaser, (ii) require on the part of Parent or Purchaser any filing with, or the obtaining of any permit, authorization, consent or approval of, any governmental or regulatory authority or any third party, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation, acceleration or payment, or to the creation of a lien or encumbrance) under any of the terms, conditions or provisions of any note, mortgage, indenture, other evidence of indebtedness, guarantee, license, agreement or other contract, instrument or contractual obligation to which Parent, Purchaser or any of their respective Subsidiaries is a party or by which any of them or any of their Assets may be bound, or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent, Purchaser, any of their Subsidiaries or any of their Assets, except for such requirements, defaults, rights or violations under clauses (ii), (iii) and (iv) above which would not in the aggregate have a material adverse effect on the ability of Parent or Purchaser to consummate the Offer and the Merger.

SECTION 5.4. INFORMATION STATEMENT; SCHEDULE 14D-9. Neither the Offer Documents nor any other document filed or to be filed by or on behalf of Parent or Purchaser with the SEC or any other governmental entity in connection with the transactions contemplated by this Agreement contained when filed or will, at the respective times filed with the SEC or other governmental entity, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading; provided, that the foregoing shall not apply to information supplied by or on behalf of the Company specifically for inclusion or incorporation by reference in any such document. The Offer Documents will comply as to form in all material respects with

the provisions of the Exchange Act. None of the information supplied by Parent or Purchaser in writing for inclusion in the Information Statement or the Schedule 14D-9 will, at the respective times that the Information Statement and the Schedule 14D-9 or any amendments or supplements thereto are filed with the SEC and are first published or sent or given to holders of Shares, and in the case of the Information Statement, at the time that it or any amendment or supplement thereto is mailed to the Company's shareholders, at the time of the Shareholders' Meeting or at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

SECTION 5.5. SUFFICIENT FUNDS. Parent and its lenders are negotiating the terms of a credit facility to provide Purchaser with financing sufficient to permit Purchaser to consummate the Offer. Parent is highly confident that such financing will be available and has no reason to believe that Purchaser will not have sufficient funds available prior to the satisfaction of the conditions to the Offer set forth in Exhibit B hereto to purchase all Shares on a fully diluted basis at the Merger Price.

SECTION 5.6. BROKERS. Except for Bear, Stearns & Co. Inc. no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Parent or Purchaser.

ARTICLE VI

SECTION 6.1. CONDUCT OF BUSINESS OF THE COMPANY. Except as contemplated by this Agreement or the Ancillary Agreements, during the period from the date of this Agreement to the consummation of the Offer and, if Parent has made a prompt request therefor pursuant to Section 1.4 hereof, until its Designated Directors (as defined in Section 8.4 hereof) shall constitute in their entirety a majority of the Company's Board of Directors, the Company and its Subsidiaries (other than Spinco and the Spinco Companies (as defined in the Distribution Agreement)) will each conduct its operations according to its ordinary course of business, consistent with past practice, will use its commercially reasonable efforts to (i) preserve intact its business organization, (ii) maintain its material rights and franchises, (iii) keep available the services of its officers and key employees, and (iv) keep in full force and effect insurance comparable in amount and scope of coverage to that maintained as of the date hereof (collectively, the "ORDINARY COURSE OBLIGATIONS"); provided, that Spinco and the Spinco Companies shall comply with the Ordinary Course Obligations to the extent that non-compliance therewith could adversely affect the Retained Business or adversely affect (or materially delay) the consummation of the Offer, the Merger or the Spin-Off. Without limiting the generality of and in addition to the foregoing, and except as otherwise contemplated by this Agreement or the Ancillary Agreements, prior to the time specified in the preceding sentence, neither the Company nor any of its Subsidiaries (other than Spinco and the Spinco Companies insofar as any action of the type specified below could not adversely affect the Retained Business and could not adversely affect (or materially delay) the Offer, the Spin-Off or the Merger) will, without the prior written consent of Parent:

(a) amend its charter or by-laws other than filing a Certificate of Amendment of the Company's Restated Certificate of Incorporation as contemplated by the Rights Agreement;

(b) authorize for issuance, issue, sell, deliver or agree or commit to issue, sell or deliver (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise) any stock of any class or any other securities (except by the Company in connection with Stock Options, pursuant to the Rights Agreement as contemplated by the Distribution Agreement or pursuant to the current terms of any existing Plan) or amend any of the terms of any such securities or agreements (other than such securities or agreements of any Subsidiary other than any of the Retained Subsidiaries, or amendments of the Distribution Agreement as permitted thereunder) outstanding on the date hereof;

(c) split, combine or reclassify any shares of its capital stock, declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock (other than pursuant to the Rights Agreement) or redeem or otherwise acquire any of its securities or any securities of its Subsidiaries (other than pursuant to the Rights Agreement); provided, that the Company may declare and pay to holders of Shares regular quarterly dividends of not more than $.08 per Share on the dividend declaration and payment dates normally applicable to the Shares.

(d) (i) pledge or otherwise encumber shares of capital stock of the Company or any of its Subsidiaries; or (ii) except in the ordinary course of business consistent with past practices, (A) incur, assume or prepay any long-term debt or incur, assume, or prepay any obligations with respect to letters of credit or any material short-term debt; (B) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for any material obligations of any other person except wholly owned Subsidiaries of the Company; (C) make any material loans, advances or capital contributions to, or investments in, any other person; (iv) change the practices of the Company and its Retained Subsidiaries with respect to the timing of payments or collections; or (D) mortgage or pledge any Assets of the Retained Business or create or permit to exist any material Lien thereupon;

(e) except (i) as disclosed in Section 6.1(e) of the Disclosure Schedule and except for arrangements entered into in the ordinary course of business consistent with past practices, (ii) as required by Law or (iii) as specifically provided for in the Agreement or Distribution Agreement, enter

into, adopt or materially amend any bonus, profit sharing, compensation, severance, termination, stock option, stock appreciation right, restricted stock, performance unit, pension, retirement, deferred compensation, employment, severance or other employee benefit agreements, trusts, plans, funds or other arrangements of or for the benefit or welfare of any Retained Employee (or any other person for whom the Retained Business will have Liability), or (except for normal increases in the ordinary course of business that are consistent with past practices) increase in any manner the compensation or fringe benefits of any Retained Employee (or any other person for whom the Retained Business will have Liability) or pay any benefit not required by any existing plan and arrangement (including, without limitation, the granting of stock options, stock appreciation rights, shares of restricted stock or performance units) or enter into any contract, agreement, commitment or arrangement to do any of the foregoing;

(f) transfer, sell, lease, license or dispose of any lines of business, Subsidiaries, divisions, operating units or facilities (other than facilities currently closed or currently proposed to be closed) relating to the Retained Business outside the ordinary course of business or enter into any material commitment or transaction with respect to the Retained Business outside the ordinary course of business;

(g) acquire or agree to acquire, by merging or consolidating with, by purchasing an equity interest in or a portion of the Assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any Assets of any other person (other than the purchase of Assets in the ordinary course of business and consistent with past practice), in each case where such action would be material to the Retained Business;

(h) except as may be required by Law or as disclosed in Section 6.1(e) of the Disclosure Schedule, take any action to terminate or materially amend any of its pension plans or retiree medical plans with respect to or for the benefit of Retained Employees or any other person for whom the Retained Business will have Liability;

(i) materially modify, amend or terminate (1) any significant contract related to the Retained Business or waive any material rights or claims of the Retained Business except in the ordinary course of business consistent with past practice; or (2) any contract having an aggregate contract value of $100 million or greater, whether or not in the ordinary course of business consistent with past practice, unless such modification, amendment or termination does not materially diminish the projected profit or materially increase the projected loss anticipated from such contract; provided, that nothing contained in this Section 6.1(i) shall limit the Company and its Subsidiaries in connection with programs or contracts with respect to which Parent or a Subsidiary of Parent has submitted, or is reasonably expected to submit, a competing bid; provided further, that the provisions of this

Section 6.1(i) shall not apply to any arrangement, agreement or contract proposal previously submitted by the Company or a Subsidiary thereof which proposal, upon acceptance thereof, cannot be revised or withdrawn;

(j) effect any material change in any of its methods of accounting in effect as of March 31, 1995, except as may be required by Law or generally accepted accounting principles;

(k) except as expressly provided in this Agreement, amend, modify, or terminate the Rights Agreement or redeem any Rights thereunder; provided, that if the Board of Directors of the Company by a majority vote determines in its good faith judgment, based as to legal matters upon the written opinion of legal counsel, that the failure to redeem any Rights would likely constitute a breach of the Board's fiduciary duty, the Rights may be redeemed;

(l) enter into any material arrangement, agreement or contract that individually or in the aggregate with other material arrangements, agreements and contracts entered into after the date hereof, the Company reasonably expects will adversely affect in a significant manner the Retained Business after the date hereof; provided, that nothing contained in this Section 6.1(l) shall limit the Company and its Subsidiaries from submitting bids for programs or contracts with respect to which the Company reasonably expects Parent or a Subsidiary of Parent to submit a bid; and

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

SECTION 6.2. ACQUISITION PROPOSALS.

(a) The Company and its officers, directors, employees, representatives and agents shall immediately cease any existing discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Proposal (as defined in Section 6.2(b) hereof). The Company and its Subsidiaries will not, and will use their best efforts to cause their respective officers, directors, employees and investment bankers, attorneys, accountants or other agents retained by the Company or any of its Subsidiaries not to, (i) initiate or solicit, directly or indirectly, any inquiries with respect to, or the making of, any Acquisition Proposal, or (ii) except as permitted below, engage in negotiations or discussions with, or furnish any information or data to any Third Party (as defined in Section 8.3(b) hereof) relating to an Acquisition Proposal (other than the transactions contemplated hereby and by the Ancillary Agreements). Notwithstanding anything to the contrary contained in this Section 6.2, the Company may furnish information to, and participate in discussions or negotiations (including, as a part thereof, making any counter-proposal) with, any Third Party which submits an unsolicited written Acquisition Proposal to the Company if the Company's Board of Directors by a majority vote determines in its good faith judgment, based as to legal matters upon the written opinion of legal counsel, that the failure to furnish such information or participate in such discussions or negotiations would likely constitute a breach of the Board's fiduciary duties under applicable Law; provided, that nothing herein shall prevent the Board from taking, and disclosing to the Company's shareholders, a position contemplated by Rules 14D-9 and 14e-2 promulgated under the Exchange Act with regard to any tender offer; provided further, that the Board shall not recommend that the shareholders of the Company tender their Shares in connection with any such tender offer unless the Board by a majority vote determines in its good faith judgment, based as to legal matters on the written opinion of legal counsel, that failing to take such action would likely constitute a breach of the Board's fiduciary duty; provided further, that the Company shall not enter into any agreement with respect to any Acquisition Proposal except concurrently with or after the termination of this Agreement (except with respect to confidentiality and standstill agreements to the extent expressly provided below). The Company shall promptly provide Parent with a copy of any written Acquisition Proposal received and a written statement with respect to any non-written Acquisition Proposal received, which statement shall include the identity of the parties making the Acquisition Proposal and the terms thereof. The Company shall promptly inform Parent of the status and content of any discussions regarding any Acquisition Proposal with a Third Party. In no event shall the Company provide non-public information regarding the Retained Business to any Third Party making an Acquisition Proposal unless such party enters into a confidentiality agreement containing provisions designed to reasonably protect the confidentiality of such

information. In the event that following the date hereof the Company enters into a confidentiality agreement with any Third Party which does not include terms and conditions which are substantially similar to the provisions of Paragraph No. 7 (the "STANDSTILL PROVISIONS") of the letter agreement, dated as of December 4, 1995, between the Company and Parent (the "CONFIDENTIALITY AGREEMENT"), then Parent and its affiliates shall be released from their obligations under such Standstill Provisions to the same extent as such third party.

(b) For purposes of this Agreement, the term "ACQUISITION PROPOSAL" shall mean any bona fide proposal, whether in writing or otherwise, made by a Third Party to acquire beneficial ownership (as defined under Rule 13(d) of the Exchange Act) of all or a material portion of the Assets of, or any material equity interest in, any of the Company, a Retained Subsidiary or the Retained Business pursuant to a merger, consolidation or other business combination, sale of shares of capital stock, sale of Assets, tender offer or exchange offer or similar transaction involving either the Company, a Retained Subsidiary or the Retained Business, including, without limitation, any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire beneficial ownership of any material portion of the Assets of, or any material portion of the equity interest in, either the Company, a Retained Subsidiary or the Retained

Business (other than the transactions contemplated by this Agreement and the Ancillary Agreements); provided, that the term "ACQUISITION PROPOSAL" shall not include any transactions which relate solely to the businesses to be owned by Spinco and the Spinco Companies following the Spin-Off and which could not have an adverse effect on the consummation of the Offer, the Merger, the Spin-Off or the transactions contemplated hereby.

SECTION 6.3. ACCESS TO INFORMATION.

(a) Between the date of this Agreement and the Effective Time, upon reasonable notice and at reasonable times, and subject to any access, disclosure, copying or other limitations imposed by applicable Law or any of the Company's or its Subsidiaries' contracts, the Company will give Parent and its authorized representatives reasonable access to all offices and other facilities and to all books and records of it and its Subsidiaries, and will permit Parent to make such inspections as it may reasonably require, and will cause its officers and those of its Subsidiaries to furnish Parent with (i) such financial and operating data and other information with respect to the Company and its Subsidiaries as Parent may from time to time reasonably request, or (ii) any other financial and operating data which materially impacts the Company and its Subsidiaries. Parent and its authorized representatives will conduct all such inspections in a manner which will minimize any disruptions of the business and operations of the Company and its Subsidiaries.

(b) Parent, Purchaser and the Company agree that the provisions of the Confidentiality Agreement shall remain binding and in full force and effect (subject, however, to the provisions of Section 6.2(a) hereof) and that the terms of the Confidentiality Agreement are incorporated herein by reference.

SECTION 6.4. REASONABLE EFFORTS. Subject to the terms and conditions of this Agreement and without limitation to the provisions of Section 6.6 hereof, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements (including, without limitation, (i) cooperating in the preparation and filing of the Offer Documents, the Schedule 14D-9, the Form 10, the Information Statement and any amendments to any thereof; (ii) cooperating in making available information and personnel in connection with presentations, whether in writing or otherwise, to prospective lenders to Parent and Purchaser that may be asked to provide financing for the transactions contemplated by this Agreement; (iii) taking of all action reasonably necessary, proper or advisable to secure any necessary consents or waivers under existing debt obligations of the Company and its Subsidiaries or amend the notes, indentures or agreements relating thereto to the extent required by such notes, indentures or agreements or redeem or repurchase such debt obligations; (iv) contesting any pending legal proceeding relating to the Offer, the Merger or the Spin-Off; and (v) executing any additional instruments necessary to consummate the transactions contemplated hereby and thereby). In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement, the proper officers and directors of each party hereto shall use all reasonable efforts to take all such necessary action.

SECTION 6.5. CONSENTS. Each of the Company, Parent and Purchaser shall cooperate and use their respective reasonable efforts to make all filings and obtain all consents and approvals of governmental authorities (including, without limitation, the Federal Communication Commission ("FCC")) and other third parties necessary to consummate the transactions contemplated by this Agreement and the Ancillary Agreements. Each of the parties hereto will furnish to the other party such necessary information and reasonable assistance as such other persons may reasonably request in connection with the foregoing.

SECTION 6.6. ANTITRUST FILINGS.

(a) In addition to and without limiting the agreements of Parent and Purchaser contained in Section 6.5 hereof, Parent, Purchaser and the Company will (i) take promptly all actions necessary to make the filings required of Parent, Purchaser or any of their affiliates under the applicable Antitrust Laws (as defined in Section 6.6(e) hereof), (ii) comply at the earliest

practicable date with any request for additional information or documentary material received by Parent, Purchaser or any of their affiliates from the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and from the Commission or other foreign governmental or regulatory authority pursuant to Antitrust Laws, and (iii) cooperate with the Company in connection with any filing of the Company under applicable Antitrust Laws and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement or the Ancillary Agreements commenced by any of the Federal Trade Commission, the Antitrust Division of the Department of Justice, state attorneys general, the Commission, or other foreign governmental or regulatory authorities.

(b) In furtherance and not in limitation of the covenants of Parent and Purchaser contained in Section 6.5 and Section 6.6(a) hereof, Parent, Purchaser and the Company shall each use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements under any Antitrust Law. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted) challenging the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements as violative of any Antitrust Law, Parent, Purchaser and the Company shall each cooperate to contest and resist any such action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) (any such decree, judgment, injunction or other order is hereafter referred to as an "ORDER") that is in effect and that restricts, prevents or prohibits consummation of the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements, including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal. Parent and Purchaser shall each also use their respective reasonable efforts to take all reasonable action, including, without limitation, agreeing to hold separate or to divest any of the businesses or Assets of Parent or Purchaser or any of their affiliates, or, following the consummation of the Offer or the Effective Time, of the Company or any of the Retained Subsidiaries, as may be required (i) by the applicable governmental or regulatory authority (including without limitation the Federal Trade Commission, the Antitrust Division of the Department of Justice, any state attorney general or any foreign governmental or regulatory authority) in order to resolve such objections as such governmental or regulatory authority may have to such transactions under any Antitrust Law, or (ii) by any domestic or foreign court or other tribunal, in any action or proceeding brought by a private party or governmental or regulatory authority challenging such transactions as violative of any Antitrust Law, in order to avoid the entry of, or to effect the dissolution, vacating, lifting, altering or reversal of, any Order that has the effect of restricting, preventing or prohibiting the consummation of the Offer, the Spin-Off, the Merger or any other transactions contemplated by this Agreement or the Ancillary Agreements; provided, that Parent shall not be required to take any action, divest any Asset or enter into any consent decree if the taking of such action, disposing of such Asset or entering into such decree would have a Significant Adverse Effect. "SIGNIFICANT ADVERSE EFFECT" shall mean any change or effect that, in Parent's judgment, is reasonably likely to adversely affect in a substantial way the benefits and opportunities which Parent reasonably expects to receive from the acquisition of the Retained Business or from Parent's current business.

(c) Each of the Company, Parent and Purchaser shall promptly inform the other party of any material communication received by such party from the Federal Trade Commission, the Antitrust Division of the Department of Justice, the Commission or any other governmental or regulatory authority regarding any of the transactions contemplated hereby. Parent and/or Purchaser will promptly advise the Company with respect to any understanding, undertaking or agreement (whether oral or written) which it proposes to make or enter into with any of the foregoing parties with regard to any of the transactions contemplated hereby.

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

SECTION 6.7. PUBLIC ANNOUNCEMENTS. Parent, Purchaser and the Company will consult with each other before issuing any press release or otherwise making any public statements with respect to the Offer, the Spin-Off or the Merger and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by Law or by obligations pursuant to any listing agreement with any securities exchange.

SECTION 6.8. EMPLOYEE AGREEMENTS.

(a) Prior to the Spin-Off, the Company shall use its best efforts to, and shall use its best efforts to cause its Subsidiaries to, assign to Spinco or Subsidiaries of Spinco or terminate all employment agreements with employees of the Company who are not Retained Employees (the "EMPLOYMENT AGREEMENTS") and all individual severance agreements with employees of the Company who are not Retained Employees (the "SEVERANCE AGREEMENTS"). The parties hereto acknowledge and agree that, whether or not such Employment Agreements and Severance Agreements are so assigned or terminated, all Liabilities under or arising from such Employment Agreements and Severance Agreements other than as expressly contemplated in the Distribution Agreement or by this Section 6.8 shall be deemed to be Spinco Liabilities (as defined in the Distribution Agreement), with respect to which Spinco shall indemnify the Company and Parent as provided therein.

(b) Parent acknowledges and agrees that all employment agreements and severance agreements with the Retained Employees will be binding and enforceable obligations of the Surviving Corporation, except as the parties thereto may otherwise agree. The parties hereto acknowledge and agree that all Liabilities under or arising from such agreements with the Retained Employees from and after the consummation of the Offer shall be deemed to be Company Liabilities (as defined in the Distribution Agreement), with respect to which the Company and Parent shall indemnify Spinco as provided therein.

(c) (i) Parent agrees to cause the Company to pay in cash to each Company Bonus Employee (as defined below) to the extent not previously paid, all bonus compensation payable with respect to the fiscal year of the Company ending March 31, 1996 under any bonus program of the Company or its Subsidiaries in which such Company Bonus Employee participated prior to the consummation of the Offer or under any employment agreement. Such bonus compensation shall be paid at the time or times that comparable bonus compensation was paid to any similarly situated employee after March 31, 1995 with respect to the fiscal year ended March 31, 1995. Bonus compensation which is based on objective criteria shall be calculated and paid in accordance with such criteria. With respect to bonus compensation which is wholly or partially discretionary, such bonus compensation shall be determined and paid on a basis consistent with past practices of the Company. Subject to Section 6.8(c)(iii), the amount of discretionary bonus compensation to be paid to any Company Bonus Employee shall be determined by the Chief Executive Officer of the Company in office immediately prior to the date of the consummation of the Offer or by his designee. "COMPANY BONUS EMPLOYEE" means a person, other than a Spinco Employee, employed by the Company or any of its Subsidiaries immediately prior to the date the Offer is consummated, who was eligible to receive a bonus under any bonus program of the Company or any of its Subsidiaries in effect at December 31, 1995, or under any employment agreement in effect on such date, with respect to the fiscal year ending March 31, 1996.

(ii) Spinco agrees to pay in cash to each Spinco Bonus Employee (as defined in this Section 6.8(c)(ii)) to the extent not previously paid, all bonus compensation payable with respect to the fiscal year of the Company ending March 31, 1996 under any bonus program of the Company or its Subsidiaries in which such Spinco Bonus Employee participated prior to the consummation of the Offer or under any employment agreement. Such bonus compensation shall be paid at the time or times that comparable bonus compensation was paid to any similarly situated employee after March 31, 1995 with respect to the fiscal year ended March 31, 1995. Bonus compensation which is based on objective criteria shall be calculated and paid in accordance with such criteria. With respect to bonus compensation which is wholly or partially discretionary, such bonus compensation shall be determined and paid on a basis consistent with past practices of the Company. Subject to Section 6.8(c)(iii), the amount of discretionary bonus compensation to be paid to any Spinco Bonus Employee shall be determined by Spinco. "SPINCO BONUS EMPLOYEE" means any Spinco Employee employed by the

Company or any of its Subsidiaries immediately prior to the date the Offer is consummated, who was eligible to receive a bonus under any bonus program of the Company or any of its Subsidiaries in effect at December 31, 1995, or under any employment agreement in effect on such date, with respect to the fiscal year ending March 31, 1996. Upon payment of such bonuses to Spinco Bonus Employees, Spinco shall submit to Parent a statement showing the individual and aggregate bonus amounts paid to Spinco Bonus Employees, and Parent shall thereupon promptly pay to Spinco (or cause the Company to pay to Spinco) the aggregate amount of bonuses so paid; provided, that if the consummation of the Offer occurs prior to March 31, 1996, the amount of such reimbursement shall be a prorated amount of the aggregate bonus amounts so paid, based on a fraction, the numerator of which is the number of days of the Company's fiscal year ending March 31, 1996 which had elapsed as of the consummation of the Offer, and the denominator of which is 365.

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

(d) Pursuant to the "change of control" provisions of the Restated Employment Agreement between the Company and Bernard L. Schwartz dated April 1, 1990, as amended June 14, 1994, the Company shall, subject to the following sentences of this Section 6.8(d), make a cash payment to Mr. Schwartz upon consummation of the Offer, calculated in accordance with such agreement, less $18 million. The Company also may make a cash payment of a bonus (inclusive of the amount paid to Mr. Schwartz pursuant to the preceding sentence, the "TRANSACTION BONUS") to Transaction Bonus Employees (as defined below) other than Mr. Schwartz; provided, that the aggregate Transaction Bonus paid shall not exceed $40 million; and provided further, that the Transaction Bonus payable to any Transaction Bonus Employee shall not exceed the maximum amount which can be paid at such time without such amounts being treated as "excess parachute payments" within the meaning of Section 280G of the Code, taking into account all payments made on or prior to the time the Transaction Bonus is paid (including the value of accelerated vesting of stock options or restricted shares granted under the 1987 Plan determined in accordance with proposed regulations promulgated under Section 280G of the Code) which constitute parachute payments for purposes of Section 280G of the Code. The Transaction Bonus may be paid by the Company, in its discretion, prior to, on or immediately following, the date the Offer is consummated. "TRANSACTION BONUS EMPLOYEE" means Mr. Schwartz and each person employed by the Company or any of its Subsidiaries on or prior to the date the Offer is consummated who is selected by Mr. Schwartz to receive a Transaction Bonus.

(e) The Company may provide for employment protection payments to be made to certain Company employees upon qualifying terminations of employment pursuant to "Employment Protection Agreements" and

an "Employment Protection Plan," (each substantially in the forms attached hereto as Exhibits C and D, respectively; together, the "EMPLOYMENT PROTECTION ARRANGEMENTS") occurring after a change in control of the Company; provided, that (i) neither the execution of this Agreement and the Distribution Agreement, nor any transaction contemplated thereby, shall constitute a change in control of the Company for any purpose under the Employment Protection Arrangements or give rise to any rights thereunder and (ii) the Employment Protection Arrangements shall terminate as of the consummation of the Offer and no rights thereunder shall continue after the consummation of the Offer.

SECTION 6.9. EMPLOYEE BENEFITS.

(a) Prior to the Effective Time, the Company shall adopt a severance plan substantially in the form attached hereto as Exhibit E (the "SUPPLEMENTAL

SEVERANCE PLAN") covering up to 150 employees of the Company or its Subsidiaries selected by the Company prior to the Effective Time.

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

SECTION 6.10. ANCILLARY AGREEMENTS; SPIN-OFF.

(a) Simultaneously with the execution hereof, the Company and certain of its Subsidiaries are entering into the Distribution Agreement. Immediately prior to the Record Date, the Company, Spinco and certain other parties will enter into the Tax Sharing Agreement. From and after the Effective Time, Parent shall cause the Surviving Corporation to perform any and all obligations and agreements of the Company set forth herein or in the Ancillary Agreements or in any other agreements contemplated herein or therein.

(b) Parent and Purchaser accept and agree that, subject to the provisions of the Distribution Agreement, the form of certificate of incorporation and by-laws of Spinco adopted in contemplation of the Spin-Off shall be as agreed to by the Company and Spinco in their sole discretion; provided, that nothing in the certificates of incorporation and by-laws shall adversely affect or otherwise limit (i) Spinco's ability to perform its obligations under the Ancillary Agreements or the other agreements contemplated by the Distribution Agreement or (ii) the Company's or its affiliates' rights under the Stockholders Agreement.

(c) In no event shall Parent or Purchaser or any of their Subsidiaries be entitled to receive any shares of Spinco Common Stock as a distribution with respect to Shares purchased upon consummation of the Offer. If, for any reason, any shares of Spinco Common Stock distributed in the Spin-Off are received by Parent or Purchaser or any of their Subsidiaries with respect to Shares acquired by Purchaser in the Offer, then Parent or Purchaser shall convey, on behalf of the Company, such shares of Spinco to the stockholders of the Company who would have otherwise received such shares of Spinco pursuant to the Distribution Agreement; provided, that the foregoing provisions shall not apply with respect to Shares held by Parent or any of its Subsidiaries prior to the date hereof.

(d) If the Company reasonably determines that the Spin-Off may not be effected without registering the shares of common stock of Spinco to be distributed in the Spin-Off pursuant to the Securities Act, the Company,

Parent and Purchaser, as promptly as practicable, shall use their respective best efforts to cause the shares of Spinco to be registered pursuant to the Securities Act and thereafter effect the Spin-Off in accordance with the terms of the Distribution Agreement including, without limitation, by preparing and filing on an appropriate form a registration statement under the Securities Act covering the shares of Spinco and using their respective best efforts to cause such registration statement to be declared effective and preparing and making such other filings as may be required under applicable state securities Laws.

(e) Parent shall, and shall cause the Surviving Corporation to, treat the Spin-Off for purposes of all federal and state taxes as an integrated transaction with the Offer and the Merger and thus report the Spin-Off as a

constructive redemption of a number of Shares equal in value to the value of the Spinco Common Stock distributed in the Spin-Off.

SECTION 6.11. RETAINED BUSINESS FINANCIAL STATEMENTS. The Company will forthwith prepare, and retain Coopers & Lybrand L.L.P. to audit, balance sheets for the Retained Business as at March 31, 1993, March 31, 1994, March 31, 1995 and the Effective Time, together with statements of operations and cash flows for the periods then ended (collectively, the "RETAINED BUSINESS FINANCIAL STATEMENTS"). The Company hereby agrees to use its best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable to assist and otherwise cause Coopers & Lybrand L.L.P. to complete the audit of the Retained Business Financial Statements as promptly as reasonably practicable, but in no event later than 45 days after the date of this Agreement; provided, that with respect to the period ended the Effective Time, the information will be provided no later than 15 days prior to the latest date on which Parent may file a Current Report on Form 8-K with respect to the Merger and still be in compliance with the regulations promulgated by the SEC under the Exchange Act. The Company will pay the fees and expenses for auditing the Retained Business Financial Statements. The Company also agrees to provide promptly to Parent such quarterly unaudited financial information relating to the Retained Business and covering the period ending December 31, 1995 and the quarterly and annual periods following the date hereof within five days after the filing by the Company with the SEC of its quarterly reports on Form 10-Q and Annual Report on Form 10-K, as the case may be.

SECTION 6.12. REDEMPTION OF RIGHTS. At Parent's request, the Company will take such action as Parent may request to effectuate the redemption, at any time before the purchase by Purchaser pursuant to the Offer of at least a majority of the outstanding Shares, of the Rights (as defined in the Rights Agreement).

SECTION 6.13. PRE-CLOSING CONSULTATION. Following the date hereof and prior to the Effective Time, the Company shall designate a senior officer of the Company (the "COMPANY REPRESENTATIVE") to consult with an officer of Parent designated by Parent (the "PARENT REPRESENTATIVE") with respect to major business decisions to be made concerning the operation of the Retained Business. Such consultation shall be made on as frequent a basis as may be reasonably requested by Parent. The parties hereto acknowledge and agree that the agreements set forth in this Section 6.13 shall be subject to any restrictions or limitations required under applicable Law.

SECTION 6.14. INDEMNIFICATION.

(a) From and after the Effective Time, Parent shall cause the Surviving Corporation to indemnify, defend and hold harmless the present and former officers, directors, employees and agents of the Company and its Subsidiaries (the "INDEMNIFIED PARTIES") against all losses, claims, damages, expenses or liabilities arising out of or related to actions or omissions or alleged actions or omissions occurring at or prior to the Effective Time to the same extent and on the same terms and conditions (including with respect to advancement of expenses) provided for in the Company's Restated Certificate of Incorporation and By-Laws and agreements in effect as of December 31, 1995 (to the extent consistent with applicable Law), which provisions will survive the Merger and continue in full force and effect after the Effective Time. Without limiting the foregoing, (i) Parent shall, and shall cause the Surviving Corporation to, periodically advance expenses (including attorney's fees) as incurred by an Indemnified Person with respect to the foregoing to the full extent permitted under the Company's Restated Certificate of Incorporation and By-Laws in effect on the date hereof (to the extent consistent with applicable Law) and (ii) any determination required to be made with respect to whether an Indemnified Party shall be

entitled to indemnification shall, if requested by such Indemnified Party, be made by independent legal counsel selected by the Surviving Corporation and reasonably satisfactory to such Indemnified Party. Parent hereby guarantees the obligation of the Surviving Corporation provided for under this Section 6.14(a); provided, that the guarantee obligation of Parent provided for herein shall, in the aggregate, be limited to an amount equal to the Net Worth of the Company. "NET WORTH OF THE COMPANY" means an amount equal to (i) the aggregate value of the consolidated assets of the Retained Business less (ii) the aggregate value of the consolidated liabilities of the Retained Business, each

as reflected on the books and records of the Company as of the most recent quarterly period ended prior to the date of the consummation of the Offer.

(b) For a period of six years after the Effective Time, Parent shall use reasonable efforts to cause to be maintained in effect the current policies of directors and officers liability insurance maintained by the Company (provided that Parent may substitute therefor policies with reputable and financially sound carriers of at least the same coverage and amounts containing terms and conditions which are no less advantageous) with respect to claims arising from or related to facts or events which occurred at or before the Effective Time; provided, that Parent shall not be obligated to make annual premium payments for such insurance to the extent such premiums exceed 150% of the annual premiums paid as of the date hereof by the Company for such insurance (the "MAXIMUM AMOUNT"). If the amount of the annual premiums necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, Parent and the Surviving Corporation shall maintain the most advantageous policies of directors, and officers' insurance obtainable for an annual premium equal to the Maximum Amount.

(c) The provisions of this Section 6.14 are intended to be for the benefit of, and shall be enforceable by, each Indemnified Party, his or her heirs and his or her representatives.

SECTION 6.15 BOARD OF DIRECTORS OF PARENT. Upon the consummation of the Offer or as soon as practicable thereafter, Parent shall use its best efforts and take all reasonable steps to cause (a) Bernard L. Schwartz to be appointed a member and Vice Chairman and Frank C. Lanza to be appointed a member, of the Board of Directors of Parent; and (b) the bylaws of Parent to be amended to modify the eligibility requirements of directors to permit Mr. Schwartz to continue to be eligible to serve as a director through 2001, without prejudice or commitment with respect to any further continuation of eligibility thereafter.

SECTION 6.16 STANDSTILL PROVISIONS. The restrictions on Parent and its affiliates contained in the Standstill Provisions (as defined in Section 6.2(a) hereof) (the "RESTRICTIONS") are hereby waived and Parent and Purchaser are hereby released therefrom (a) as of and after the date hereof to the extent necessary to permit Parent and Purchaser to comply with their respective obligations and to enable Parent and Purchaser to exercise any of their respective rights, under or as contemplated by this Agreement; and (b) as of and after the termination of this Agreement (other than by the Company pursuant to Section 8.1(f) hereof) if at such time or thereafter there is proposed a Third Party Acquisition (as defined in Section 8.3(b) hereof); provided, that the Restrictions shall not be waived under this Section 6.16(b) with respect to any proposal by Parent, Purchaser and their affiliates to acquire, directly or indirectly, both the Retained Business and all or substantially all of the Spinco Business, whether by merger, consolidation or otherwise, unless the proposed Third Party Acquisition also contemplates a transaction or series of transactions in which both the Retained Business and all or substantially all of the Spinco Business would be acquired, directly or indirectly, by the Third Party or its affiliates.

SECTION 6.17 EFFECTIVENESS OF RIGHTS AGREEMENT. On or before January 10, 1996 the Company shall execute and deliver, and cause a person qualified to be the Rights Agent under the Rights Agreement to execute and deliver, each of the Rights Agreement and the Rights Amendment so that each shall be valid and binding agreements of the Company.

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE MERGER

SECTION 7.1. CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligation of each party to effect the Merger is subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) This Agreement shall have been adopted by the affirmative vote of the stockholders of the Company by the requisite vote in accordance with applicable Law, if required by applicable Law;

(b) No statute, rule, regulation, order, decree, or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental

authority which prohibits or restricts the consummation of the Merger;

(c) Any waiting period applicable to the Merger under the Antitrust Laws shall have terminated or expired and all approvals required under the Antitrust Laws shall have been received;

(d) The Spin-Off shall have been consummated in all material respects; and

(e) The Offer shall not have been terminated in accordance with its terms prior to the purchase of any Shares.

SECTION 7.2. CONDITIONS TO THE OBLIGATION OF THE COMPANY TO EFFECT THE MERGER. The obligation of the Company to effect the Merger is further subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) The representations and warranties of Parent and Purchaser contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as of such time; and

(b) Each of Parent and Purchaser shall have performed in all material respects its obligations under this Agreement required to be performed by it at or prior to the Effective Time pursuant to the terms hereof.

Parent and Purchaser will furnish the Company with such certificates and other documents to evidence the fulfillment of the conditions set forth in this Section 7.2 as the Company may reasonably request.

SECTION 7.3. CONDITIONS TO OBLIGATIONS OF PARENT AND PURCHASER TO EFFECT THE MERGER. The obligations of Parent and Purchaser to effect the Merger are further subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) The representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects at and as of the Effective Time as if made at and as such time;

(b) The Company shall have delivered to Purchaser and (i) Bank of America, Illinois (formerly known as Continental Bank, National Association), one or more opinions of counsel acceptable to Bank of America, Illinois, stating that the Merger complies with (A) Article IV of the Indenture dated as of January 15, 1992 between the Company and Continental Bank, National Association, as trustee; and (B) Article Nine of the Indenture dated as of September 1, 1993 between the Company and Continental Bank, National Association, as trustee, as supplemented by a First Supplemental Indenture dated as of June 1, 1994 between the Company and Continental Bank, National Association, as trustee; and (ii) NationsBank of Georgia, National Association, an opinion of counsel acceptable to NationsBank of Georgia, National Association, stating that the Merger complies with Article Nine of the Indenture dated as of November 1, 1992 between the Company and NationsBank of Georgia, National Association, as trustee (collectively, the "PUBLIC INDENTURE MERGER OPINIONS");

(c) The Company shall have performed in all material respects each of its obligations under this Agreement required to be performed by it at or prior to the Effective Time pursuant to the terms hereof.

The Company will furnish Parent and Purchaser with such certificates and other documents to evidence the fulfillment of the conditions set forth in this Section 7.3 as Parent or Purchaser may reasonably request.

SECTION 7.4. EXCEPTION. The conditions set forth in Sections 7.2 and 7.3 hereof shall cease to be conditions to the obligations of any of the parties hereto if Purchaser shall have accepted for payment and paid for Shares validly tendered pursuant to the Offer or if Purchaser fails to accept for payment any Shares pursuant to the Offer in violation of the terms thereof.

ARTICLE VIII

TERMINATION; AMENDMENT; WAIVER

SECTION 8.1. TERMINATION. This Agreement may be terminated and the Offer and the Merger may be abandoned at any time (notwithstanding approval of the

Merger by the stockholders of the Company) prior to the Effective Time:

(a) by mutual written consent of Parent, Purchaser and the Company;

(b) by Parent, Purchaser or the Company if any court of competent jurisdiction in the United States or other United States governmental body shall have issued a final order, decree or ruling or taken any other final action restraining, enjoining or otherwise prohibiting the consummation of the Offer, the Spin-Off or the Merger and such order, decree, ruling or other action is or shall have become nonappealable;

(c) by Parent or Purchaser if due to an occurrence or circumstance which would result in a failure to satisfy any of the conditions set forth in Exhibit B hereto, Purchaser shall have (i) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (ii) terminated the Offer or (iii) failed to pay for Shares pursuant to the Offer prior to June 30, 1996;

(d) by the Company if (i) there shall not have been a material breach of any representation, warranty, covenant or agreement on the part of the Company and Purchaser shall have (A) failed to commence the Offer within the time required by Regulation 14D under the Exchange Act, (B) terminated the Offer or (C) failed to pay for Shares pursuant to the Offer prior to June 30, 1996 or (ii) prior to the purchase of Shares pursuant to the Offer, a Third Party shall have made a bona fide offer that the Board of Directors of the Company by a majority vote determines in its good faith judgment and in the exercise of its fiduciary duties, based as to legal matters on the written opinion of legal counsel, is a Higher Offer (as defined in Section 8.3(b) hereof); provided, that such termination under this clause (ii) shall not be effective until payment of the fee required by Section 8.3(a) hereof;

(e) by Parent or Purchaser prior to the purchase of Shares pursuant to the Offer, if (i) there shall have been a breach of any representation or warranty on the part of the Company or Spinco under either this Agreement or the Distribution Agreement having a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, (ii) there shall have been a breach of any covenant or agreement on the part of the Company or Spinco under either this Agreement or the Distribution Agreement resulting in a Material Adverse Effect or materially adversely affecting (or materially delaying) the consummation of the Offer, which shall not have been cured prior to the earlier of (A) 10 days following notice of such breach and (B) two Business Days prior to the date on which the Offer expires, (iii) the Company shall engage in Active Negotiations (as defined in Section 8.3(b) hereof) with a Third Party with respect to a Third Party Acquisition (as defined in Section 8.3(b) hereof), (iv) the Board of Directors of the Company shall have withdrawn or modified (including by amendment of Schedule 14D-9) in a manner adverse to Purchaser its approval or recommendation of the Offer, the Spin-Off, the Merger, this Agreement or the Distribution Agreement, shall have recommended to the Company's stockholders another offer, shall have authorized the redemption of any Rights (whether or not in accordance with Section 6.1(k) hereof) after the Company's receipt of an Acquisition Proposal or shall have adopted any resolution to effect any of the foregoing or (v) there shall not have been validly tendered and not withdrawn prior to the expiration of the Offer at least two-thirds of the Shares, determined on a fully diluted

basis, and on or prior to such date an entity or group (other than Parent or Purchaser) shall have made and not withdrawn a proposal with respect to a Third Party Acquisition; or

(f) by the Company if (i) there shall have been a breach of any representation or warranty in this Agreement or the Distribution Agreement on the part of Parent or Purchaser which materially adversely affects (or materially delays) the consummation of the Offer or (ii) there shall have been a material breach of any covenant or agreement in this Agreement or the Distribution Agreement on the part of Parent or Purchaser which materially adversely affects (or materially delays) the consummation of the Offer which shall not have been cured prior to the earliest of (A) 10 days following notice of such breach and (B) two Business Days prior to the date on which the Offer expires.

SECTION 8.2 EFFECT OF TERMINATION. In the event of the termination and

abandonment of this Agreement pursuant to Section 8.1, this Agreement shall forthwith become void and have no effect, without any Liability on the part of any party hereto or its affiliates, directors, officers or shareholders, other than the provisions of this Section 8.2 and Sections 6.3(b), 6.14, 8.3, 9.3 and 9.11 hereof. Nothing contained in this Section 8.2 shall relieve any party from Liability for any breach of this Agreement.

SECTION 8.3 FEES AND EXPENSES.

(a) If:

(i) Parent or Purchaser terminates this Agreement pursuant to Section 8.1(e)(ii), (iii) or (v) hereof and within 12 months thereafter the Company enters into an agreement with respect to a Third Party Acquisition, or a Third Party Acquisition occurs, involving any party (or any affiliate thereof) (A) with whom the Company (or its agents) had negotiations with a view to a Third Party Acquisition, (B) to whom the Company (or its agents) furnished information with a view to a Third Party Acquisition or (C) who had submitted a proposal or expressed an interest in a Third Party Acquisition, in the case of each of clauses (A), (B) and (C) after the date hereof and prior to such termination; or

(ii) Parent or Purchaser terminates this Agreement pursuant to Section 8.1(e)(iii) or (v) hereof and, within 12 months thereafter, a Third Party Acquisition shall occur involving a Higher Offer; or

(iii) Parent or Purchaser terminates this Agreement pursuant to Section 8.1(e)(iv) hereof; or

(iv) the Company terminates this Agreement pursuant to Section 8.1(d)(ii) hereof;

then, in each case, the Company shall pay to Parent, within one Business Day following the execution and delivery of such agreement or such occurrence, as the case may be, or simultaneously with such determination pursuant to Section 8.1(d)(ii), a fee, in cash, of $175 million; provided, that the Company in no event shall be obligated to pay more than one such $175 million fee with respect to all such agreements and occurrences and such termination.

(b) "ACTIVE NEGOTIATIONS" means negotiations with a Third Party that has proposed a Third Party Acquisition or made an Acquisition Proposal, or with such Third Party's agents or representatives with respect to the substance of such Third Party Acquisition or Acquisition Proposal, but will not include (x) communications in connection with, or constituting, the furnishing of information pursuant to a confidentiality agreement as contemplated by Section 6.2(a) hereof or (y) communications that include no more than an explicit bona fide rejection of such proposal and a very brief statement of the reasons therefor. "THIRD PARTY ACQUISITION" means the occurrence of any of the following events: (i) the acquisition of the Company by merger or otherwise by any person (which includes for these purposes a "person" as defined in Section 13(d)(3) of the Exchange Act) or entity other than Parent, Purchaser or any affiliate thereof (a "THIRD PARTY"); (ii) the acquisition by a Third Party of more than 30% of the total Assets of the Company and its Subsidiaries, taken as a whole; (iii) the acquisition by a Third Party of 30% or more of the outstanding Shares; (iv) the adoption by the Company of a plan of liquidation or the declaration or payment of an extraordinary dividend; or (v) the purchase by the Company or any of its Subsidiaries of more than 20% of the outstanding Shares. "HIGHER OFFER" means any Third Party Acquisition which reflects a higher value for the Shares than the aggregate value being provided

pursuant to the transactions contemplated by this Agreement and the Ancillary Agreements including, without limitation, the shares of Spinco Common Stock distributed in the Spin-Off. Prior to the termination of this Agreement by the Company pursuant to Section 8.1(d)(ii) hereof, the Board of Directors shall provide a reasonable opportunity to a nationally recognized investment banking firm selected by Parent, Purchaser or their designee (the "IB") to evaluate the proposed Third Party Acquisition, to determine whether it is a Higher Offer and to advise the Board of Directors of the Company of the basis for and results of its determination. The Company agrees to cooperate and cause the Company's financial advisors to cooperate with the IB (including, without limitation, providing the IB with full access to all such information which the IB deems relevant and which the IB agrees to keep confidential) to the

extent reasonably requested by the IB. The fees and expenses incurred by the IB shall be paid by Parent. Nothing contained in this Section 8.3(b) shall prevent Parent and Purchaser from challenging, by injunction or otherwise, the termination or attempted termination of this Agreement pursuant to Section 8.3(d)(ii) hereof.

(c) If this Agreement is terminated pursuant to Sections 8.1(e)(i) or 8.1(e)(ii) (the "DESIGNATED TERMINATION PROVISIONS") or Parent is entitled to receive the $175 million fee under Section 8.3(a) hereof, then the Company shall reimburse Parent, Purchaser and their affiliates (not later than one Business Day after submission of statements therefore) for actual documented out-of-pocket fees and expenses, not to exceed $45 million, actually incurred by any of them or on their behalf in connection with the Offer, the proposed Merger and the proposed Spin-Off and the transactions contemplated by this Agreement and the Distribution Agreement (including, without limitation, fees payable to financing sources, investment bankers (including to the IB), counsel to any of the foregoing and Accountants), whether incurred prior to or after the date hereof. The Company shall in any event pay the amount requested (not to exceed $45 million) within one Business Day of such request, subject to the Company's right to demand a return of any portion as to which invoices are not received in due course.

(d) Except as specifically provided in this Section 8.3 and except as otherwise specifically provided in the Distribution Agreement, each party shall bear its own respective expenses incurred in connection with this Agreement, the Offer and the Merger, including, without limitation, the preparation, execution and performance of this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, and all fees and expenses of investment bankers, finders, brokers, agents, representatives, counsel and accountants.

(e) Notwithstanding anything to the contrary contained in this Agreement, upon payment by the Company of the amounts referred to in this Section 8.3(a), the Company shall be released from all Liability hereunder, including any Liability for any claims by Parent, Purchaser or any of their affiliates based upon or arising out of any breach of this Agreement or any Ancillary Agreement. The parties agree that reimbursement of Parent's expenses pursuant to Section 8.3(c) hereof in connection with a termination of this Agreement pursuant to any of the Designated Termination Provisions does not constitute the payment of liquidated damages and, except to the extent of the payment thereunder, shall not limit the Liability of the Company for any claims by Parent, Purchaser or any of their affiliates based upon or arising out of any breach of this Agreement or any Ancillary Agreement.

SECTION 8.4. AMENDMENT. This Agreement may be amended by action taken by the Company, Parent and Purchaser at any time before or after adoption of the Merger by the stockholders of the Company, if any; provided that (a) in the event that any persons designated by Parent pursuant to Section 1.4 hereof (such directors are hereinafter referred to as the "DESIGNATED DIRECTORS") constitute in their entirety a majority of the Company's Board of Directors, no amendment shall be made which decreases the cash price per Share or which adversely affects the rights of the Company's stockholders hereunder without the approval of a majority of the Continuing Directors (as hereafter defined) if at the time there shall be any Continuing Directors and (b) after the date of adoption of the Merger by the stockholders of the Company, no amendment shall be made which decreases the cash price per Share or which adversely affects the rights of the Company's stockholders hereunder without the approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of the parties. For purposes hereof, the term "CONTINUING DIRECTOR" shall mean (a) any member of the Board of Directors of the Company as of the date hereof, (b) any member of the Board of

Directors of the Company who is unaffiliated with, and not a Designated Director or other nominee of, Parent or Purchaser or their respective Subsidiaries, and (c) any successor of a Continuing Director who is (i) unaffiliated with, and not a Designated Director or other nominee of, Parent or Purchaser or their respective Subsidiaries and (ii) recommended to succeed a Continuing Director by a majority of the Continuing Directors then on the Board of Directors.

SECTION 8.5. EXTENSION; WAIVER. At any time prior to the Effective Time, the parties may (a) extend the time for the performance of any of the obligations

or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties of the other parties contained herein or in any document, certificate or writing delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions of the other parties hereto contained herein; provided that (x) in the event that any Designated Directors constitute in their entirety a majority of the Company's Board of Directors, no extensions or waivers shall be made which adversely affect the rights of the Company's stockholders hereunder without the approval of a majority of the Continuing Directors if at the time there shall be any Continuing Directors and (y) after the date of adoption of the Merger by the stockholders of the Company, no extensions or waivers shall be made which adversely affect the rights of the Company's stockholders hereunder without the approval of such stockholders. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1. SURVIVAL. Except as otherwise expressly set forth in the Distribution Agreement, the representations, warranties, covenants and agreements made herein shall not survive beyond the Effective Time; provided, that the covenants and agreements contained in Sections 2.7, 2.10, 3.1, 3.2, 6.3(b), 6.4, 6.5, 6.6, 6.8, 6.9, 6.10, 6.14, 8.2, 8.3, 8.4, 8.5, 9.3, 9.5 and 9.11 hereof shall survive beyond the Effective Time without limitation.

SECTION 9.2. ENTIRE AGREEMENT. Except for the provisions of the Confidentiality Agreement which shall continue in full force and effect, this Agreement (including the schedules and exhibits and the agreements and other documents referred to herein, including, without limitation, the Ancillary Agreements) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof.

SECTION 9.3. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the Laws of the State of New York (regardless of the Laws that might otherwise govern under applicable principles of conflicts Law) as to all matters, including, without limitation, matters of validity, construction, effect, performance and remedies.

SECTION 9.4. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand or (c) the expiration of five Business Days after the day when mailed by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to the Parent or Purchaser, to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Telephone: (301) 897-6125
Telecopy: (301) 897-6333
Attention: General Counsel

with a copy to:

O'Melveny & Myers
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 326-2000
Telecopy: (212) 326-2061
Attention: C. Douglas Kranwinkle, Esq.
Jeffrey J. Rosen, Esq.

and to:

Skadden, Arps, Slate, Meagher & Flom

919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000
Telecopy: (212) 735-2001
Attention: Peter Allan Atkins, Esq.
Lou R. Kling, Esq.

(b) If to the Company, to:

Loral Corporation
600 Third Avenue
New York, New York 10016
Telephone: (212) 697-1105
Telecopy: (212) 661-8988
Attention: General Counsel

with a copy to:

Willkie Farr & Gallagher
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 821-8000
Telecopy: (212) 821-8111
Attention: Robert B. Hodes, Esq.
Bruce R. Kraus, Esq.

SECTION 9.5. SUCCESSORS AND ASSIGNS; NO THIRD PARTY BENEFICIARIES. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either party (whether by operation of law or otherwise) without the prior written consent of the other party; provided, that Parent may assign its rights and obligations hereunder or those of Purchaser to Parent or any subsidiary of Parent, and Spinco may assign its rights and obligations hereunder to any successor to Spinco, but in each case no such assignment shall relieve Parent, Purchaser or Spinco, as the case may be, of its obligations hereunder. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and except for Sections 2.7, 2.10, 6.8 and 6.10 hereof nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

SECTION 9.6. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

SECTION 9.7. INTERPRETATION. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. Except as

otherwise expressly provided in this Agreement, as used in this Agreement, the term "person" shall have the meaning assigned to that term in the Distribution Agreement.

SECTION 9.8. SCHEDULES. The Disclosure Schedule shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

SECTION 9.9. LEGAL ENFORCEABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

SECTION 9.10. SPECIFIC PERFORMANCE. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties

hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to compel specific performance of this Agreement in any action instituted in any state or federal court sitting in New York. The parties hereto consent to personal jurisdiction in any such action brought in any state or federal court sitting in New York and to service of process upon it in the manner set forth in Section 9.4 hereof.

SECTION 9.11. BROKERAGE FEES AND COMMISSIONS. Except as set forth in Sections 4.18 and 5.6, the Company hereby represents and warrants to Parent with respect to the Company, and Parent hereby represents and warrants to the Company with respect to Parent and Purchaser, that no person or entity is entitled to receive from the Company or Parent and Purchaser, respectively, any investment banking, brokerage or finder's fee or fees for financial consulting or advisory services in connection with this Agreement and Plan of Merger or any of the transactions contemplated hereby.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Agreement and Plan of Merger to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

Loral Corporation

By: /s/ Michael B. Targoff

Name: Michael B. Targoff
Title: Senior Vice President

Lockheed Martin Corporation

By: /s/ Marcus C. Bennett

Name: Marcus C. Bennett
Title: Senior Vice President

LAC Acquisition Corporation

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

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

EXHIBITS

EXHIBIT A

TAX SHARING AGREEMENT

TAX SHARING AGREEMENT ("the Agreement") dated as of _____, 1996 by and among Loral Corporation, a New York corporation (the "Company"), Loral Telecommunications Acquisition, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Spinco"), Lockheed Martin Corporation, a Maryland corporation ("Parent") and LAC Acquisition Corporation, a New York corporation and a wholly-owned subsidiary of Parent (the "Purchaser").

WHEREAS, in connection with the restructuring of the Company pursuant to the Restructuring, Financing and Distribution Agreement, dated as of January 8, 1996 (the "Distribution Agreement"), the Company, Spinco and certain of the Retained Subsidiaries have agreed to certain intercompany distributions, assignments, transfers and contributions of the Spinco Assets and the assumption of certain liabilities by Spinco, as more fully described in Section 2.1 of the Distribution Agreement (the "Transfer");

WHEREAS, the Company will retain its stock in all of its subsidiaries other than the Spinco Subsidiaries (the "Retained Subsidiaries");

WHEREAS, in accordance with the terms of the Agreement and Plan of Merger dated as of January 8, 1996 (the "Merger Agreement"), the Purchaser will commence and consummate the Offer and the Company will complete the Transfer;

WHEREAS, immediately after the consummation of the Offer and the Form 10 or registration statement, as the case may be, having been declared effective by the SEC, the Company will distribute the Spinco Common Stock to the Company shareholders and the Company will retain its Spinco Preferred Stock;

WHEREAS, pursuant to the Merger Agreement, and in accordance with New York law, the Purchaser will merge with and into the Company after certain conditions are satisfied at the Effective Time (the "Merger"), whereby each share of common stock of the Company issued and outstanding immediately prior to the Effective Time will be converted into the right to receive cash and, as a

result of such Merger, the Company, as the surviving corporation, will become wholly-owned by Parent;

WHEREAS, at the end of the day on which the Distribution occurs (the "Distribution Date"), Spinco's taxable year shall close for U.S. federal income tax purposes;

WHEREAS, the parties hereto wish to provide for the payment of tax liabilities and entitlement to refunds, allocate responsibility and provide for cooperation in the filing of tax returns, provide for the realization and payment of tax benefits arising out of adjustments to the tax returns of the parties and provide for certain other matters;

NOW, THEREFORE, in consideration of the premises and the representations, covenants and agreements herein contained, and intending to be legally bound hereby, the Company, Spinco, Parent, and the Purchaser hereby agree as follows:

1. Certain Definitions. The following terms used herein shall have the meanings set forth below (such terms to be equally applicable to the singular and plural forms of the terms defined or referred to below):

"Aerospace" shall have the meaning set forth in the Distribution Agreement.

"Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth in the recitals to this Agreement.

"Company Group" means the Retained Subsidiaries, together with the Company.

"Consolidated Group" or "consolidated group" means an affiliated group of corporations filing a consolidated federal income tax return, as defined in Treasury Regulation Section 1.1502-1(h).

"Continental" shall have the meaning set forth in the Distribution Agreement.

"Distribution" shall have the meaning set forth in the Distribution Agreement.

"Distribution Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Distribution Date" shall have the meaning set forth in the recitals to this Agreement.

"Effective Time" shall have the meaning set forth in the Merger Agreement.

"Form 10" shall have the meaning set forth in the Distribution Agreement.

"Holdings" shall have the meaning set forth in the Distribution Agreement.

"Income Taxes" means any and all taxes based upon or measured by net income (including, without limitation, any alternative minimum tax under Section 55 of the Code) imposed by or payable to the U.S., or any state, county, local or foreign government or any subdivision or agency thereof, and such term shall include any interest (whether paid or received), penalties or additions to tax attributable thereto.

"Income Tax Liabilities" means all liabilities for Income Taxes.

"Indemnified Party" means the party that is entitled to indemnification by another party pursuant to this Agreement.

"Indemnifying Party" means the party that is required to indemnify another party pursuant to this Agreement.

"Independent Accounting Firm" means a "big six" independent accounting firm, jointly selected by the parties; or, if the parties cannot agree on such accounting firm, Spinco and Parent shall each submit the name of a "big six" independent accounting firm that does not at the time and has not in the prior two years provided

services to any member of the Spinco Group or the Parent Group, and the "Independent Accounting Firm" shall mean the firm selected by lot from these two firms.

"Independent Law Firm" means a nationally-recognized independent law firm, jointly selected by the parties; or, if the parties cannot agree on such law firm, Spinco and Parent shall each submit the name of a nationally-recognized independent law firm that does not at the time and has not in the prior two years provided services to any member of the Spinco Group or the Parent Group, and the "Independent Law Firm" shall mean the firm selected by lot from these two firms.

"Information Return" means any report, return, declaration or other information or filing (other than a Tax Return) required to be supplied to any taxing authority or jurisdiction.

"K&F" shall have the meaning set forth in the Distribution Agreement.

"LGP" shall have the meaning set forth in the Distribution Agreement.

"Merger" shall have the meaning set forth in the recitals to this Agreement.

"Merger Agreement" shall have the meaning set forth in the recitals to this Agreement.

"Offer" shall have the meaning set forth in the Merger Agreement.

"Old Company Group" means the consolidated group of corporations of which the Company is the "common parent" within the meaning of Section 1504 of the Code and the Treasury Regulations promulgated under Section 1502 of the Code and any Subsidiary of a member of such consolidated group.

"Other Taxes" means any and all taxes, levies or other like assessments, charges or fees, other than Income Taxes, including, without limitation, any excise, real or personal property, gains, sales, use, license, real estate or personal property transfer, net worth, stock transfer, payroll, ad valorem and other governmen-

tal taxes and any withholding obligation imposed by or payable to the U.S., or any state, county, local or foreign government or subdivision or agency thereof, and any interest (whether paid or received), penalties or additions to tax attributable thereto.

"Overpayment Rate" means the rate specified under Section 6621(a)(1) of the Code for overpayments of tax.

"Parent" shall have the meaning set forth in the recitals to this Agreement.

"Parent Group" means the consolidated group of which Parent or any successor is the "common parent" within the meaning of Section 1504 of the Code and the Treasury Regulations promulgated under Section 1502 of the Code and any Subsidiary of a member of such consolidated group.

"Proceeding" means any audit or other examination, judicial or administrative proceeding relating to liability for or refunds or adjustments with respect to Other Taxes or Income Taxes.

"Purchaser" shall have the meaning set forth in the recitals to this Agreement.

"Refund" means any refund of Income Taxes or Other Taxes, including any reduction in liabilities for such taxes.

"Retained Subsidiaries" shall have the meaning set forth in the recitals to this Agreement.

"SEC" means the Securities and Exchange Commission.

"Spinco" shall have the meaning set forth in the recitals to this Agreement.

"Spinco Assets" shall have the meaning set forth in the Distribution Agreement.

"Spinco Common Stock" shall have the meaning set forth in the Distribution Agreement.

"Spinco Companies" shall have the meaning set forth in the Distribution Agreement.

"Spinco Group" means the Spinco Companies, Spinco and any Subsidiary thereof (including any successors thereto).

"Spinco Preferred Stock" shall have the meaning set forth in the Distribution Agreement.

"SSL" shall have the meaning set forth in the Distribution Agreement.

"Subsidiary" or "subsidiary" shall have the meaning set forth in the Distribution Agreement.

"Tax Benefit" means, in the case of separate state, local or other Income Tax Returns, the sum of the amount by which the tax liability (after giving effect to any alternative minimum or similar tax and adjusted for the loss of any federal tax benefit) of a person to the appropriate taxing authority is reduced (including, without limitation, by deduction, entitlement to refund, credit or otherwise, whether available in the current taxable year, as an adjustment to taxable income in any other taxable year or as a carryforward or carryback, as applicable) plus any interest from such government or jurisdiction relating to such tax liability, and in the case of a consolidated federal Income Tax Return or similar state, local or other Income Tax Return, the sum of the amount by which the tax liability of the consolidated group or other relevant group of corporations to the appropriate government or jurisdiction is reduced (including, without limitation, by deduction, entitlement to refund, credit or otherwise, whether available in the current taxable year, as an adjustment to taxable income in any other taxable year or as a carryforward or carryback, as

applicable) plus any interest from such government or jurisdiction relating to such tax liability, less the amount by which the tax liability to another taxing authority is increased as a result of the reduction in tax liabilities to another taxing authority (unless such increase has already been taken into account under the provisions of Section 5 hereof) and less any increase in tax liability as a result of the receipt of interest as described above.

"Tax Return" means any report, return, declaration or other information or filing required to be supplied to any taxing authority or jurisdiction with respect to

Income Taxes or Other Taxes, including, without limitation, any documents with respect to or accompanying payments of estimated Income Taxes or Other Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, declaration or other document.

"Transfer" shall have the meaning set forth in the recitals to this Agreement.

"Treasury Regulation" means any final, temporary or proposed regulation promulgated under the Code.

"U.S." means the United States of America.

2. Cooperation; Maintenance and Retention of Records. Parent and Spinco shall, and shall cause the members of the Parent Group and the Spinco Group, respectively, to, provide the requesting party with such assistance and documents, without charge, as may be reasonably requested by such party in connection with (i) the preparation of any Tax Return or any Information Return, (ii) the conduct of any Proceeding (iii) any matter relating to Income Taxes, Other Taxes or Information Returns of any member of the Old Company Group, the Company Group, the Spinco Group or the Parent Group and (iv) any other matter that is a subject of this Agreement. Such cooperation and assistance shall be provided to the requesting party promptly upon its request. Parent and the Company, on the one hand, and Spinco, on the other hand, shall retain or cause to be retained all Tax Returns, Information Returns, schedules and workpapers, and all material records or other documents relating thereto, until the expiration of the statute of limitations (including any waivers or extensions thereof) of the taxable years to which such Tax Returns, Information Returns, and other documents relate or until the expiration of any additional period that any party reasonably requests, in writing, with respect to specific material records or documents. A party intending to destroy any material records or documents shall provide the other party with advance notice and the opportunity to copy or take possession of such records and documents. The parties hereto will notify each other in writing of any waivers or extensions of the applicable statute of limitations that may affect the period for which the foregoing records or other documents must be retained.

3. Timing of Distribution Date; Reporting of Certain Transactions.

(a) The parties hereby agree that, for federal income tax purposes (and, to the extent permissible under applicable law, for state, local and other tax purposes), Spinco's taxable year shall end at the close of the Distribution Date, in accordance with the rule of Treasury Regulation Section 1.1502-76(b)(1).

(b) The Parent Group hereby agrees to report each of the transactions set forth in Section 2.1 of the Distribution Agreement for all foreign, federal, state and local Income Tax purposes in a manner consistent with the form and chronology described therein, including (i) in the case of any distribution of a Spinco Asset by any member of the Old Company Group that is a corporation, as a distribution of property under Section 311(b) of the Code and any comparable provision of state or local law; (ii) in the case of any such distribution between members of the Old Company Group filing a consolidated Tax Return, as an "intercompany transaction" within the meaning of Treasury Regulations Section 1.1502-13(b) and any comparable provision of state or local law; and (iii) in the case of any transfer subject to Treasury Regulations Section 1.1502-13(d) and any comparable provision of state or local law, by applying the rules described therein. The parties hereby agree to negotiate in

good faith to determine the fair market values of Spinco and the material items of the Spinco Assets for purposes of reporting the transactions described in this subsection (b) for all foreign, federal, state and local Income Tax purposes, and the parties shall report all Income Taxes in a manner consistent with such fair market values.

4. Filing of Tax Returns and Information Returns; Payment of Taxes.

(a) Old Company Group. To the extent not filed before the Distribution Date, Parent shall prepare and file or cause to be prepared and filed all Tax Returns of the Old Company Group and any member thereof, other than Tax Returns involving only the Spinco Group (or any members thereof) for which Spinco is responsible pursuant to subsection (c) hereof, and Parent shall pay or cause to be paid all Income Taxes shown to be due and

payable by any member of the Old Company Group on such Tax Returns.

(b) Company Group; Parent Group. Parent shall prepare and file or shall cause to be prepared and filed all Tax Returns of the Company Group and the Parent Group and any member of either the Company Group or the Parent Group (other than Tax Returns of Spinco or any of its Subsidiaries for taxable periods beginning after the Distribution Date) and shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Company Group or the Parent Group on such Tax Returns.

(c) Spinco Group. Spinco shall prepare and file or cause to be prepared and filed (i) all Tax Returns of the Spinco Group for all taxable periods beginning after the Distribution Date and (ii) all Tax Returns involving only one or more members of the Spinco Group for all taxable periods, and Spinco shall pay or cause to be paid all Income Taxes shown to be due and payable by any member of the Spinco Group on such Tax Returns.

(d) Information Returns. Spinco shall file all Information Returns required to be filed by any member of the Spinco Group after the Distribution Date and all Information Returns involving only the Spinco Group (or any members thereof) for all taxable periods. Except as provided in the preceding sentence, to the extent not filed before the Distribution Date, Parent shall file all Information Returns required to be filed by any member of the Old Company Group, the Parent Group or the Company Group. Any party required to file any Information Return pursuant to this Section 4 shall pay any fees or charges required in connection with such filing and shall indemnify and hold the other party harmless against any penalties, fees or other charges resulting from the failure to pay such fees or charges or the failure to file such Information Returns in a correct or timely fashion, unless such failure results from the failure of the other party to provide correct information.

5. Indemnification for Taxes.

(a) Spinco Group Income Taxes. The Spinco Group shall pay, and shall indemnify and hold the

Parent Group harmless against, (i) all Income Tax Liabilities of any member of the Spinco Group for all taxable periods (including taxable periods or portions thereof during which any member of the Spinco Group was a member of the Old Company Group or the Parent Group but excluding all Income Tax Liabilities arising from the Transfer and Distribution (other than amounts described in clause (iii) hereof); (ii) all Income Tax Liabilities incurred pursuant to Treasury Regulation Section 1.1502-6 or any comparable state, local or other provision providing for joint and several liability as a result of any member of the Spinco Group having been a member of any consolidated, combined, unitary or other group (other than the Old Company Group and the Parent Group); and (iii) the excess, if any, of (A) all Income Tax Liabilities arising, directly or indirectly, from the transactions set forth in Section 2.1(a) of the Distribution Agreement and the Distribution minus (B) the hypothetical amount of all Income Tax Liabilities that would have arisen, directly or indirectly, from a distribution by Aerospace to Holdings of all of the shares of capital stock owned by Aerospace in LGP and SSL, followed by a distribution by Holdings to the Company of all of the shares of capital stock owned by Holdings in LGP, SSL and Continental, followed by a transfer by the Company to Spinco of all of the

shares of capital stock owned by the Company in LGP, SSL, K&F and Continental and the transfer to Spinco of the other Spinco Assets described in Section 2.1(a)(viii) of the Distribution Agreement, followed by the Distribution. For purposes of clause (i) of this subsection (a), the Income Tax Liabilities of any member or members of the Spinco Group for any taxable period during which such member or members joined with members of the Old Company Group, the Parent Group, or any other group in the filing of a consolidated, unitary, combined or other group Tax Return shall be determined as if each of such Spinco Group member or members filed its Tax Returns for such period on a stand-alone basis.

(b) Old Company Group and Parent Group Income Taxes. The Parent Group shall pay, and shall indemnify and hold the Spinco Group harmless against, (i) all Income Tax Liabilities of any member of the Old Company Group or the Parent Group (other than Income Tax Liabilities of any member of the Spinco Group for any taxable period); (ii) all Income Tax Liabilities incurred pursuant to Treasury Regulation Section 1.1502-6 or any

comparable state, local or other provision providing for joint and several liability as a result of any member of the Old Company Group or the Parent Group (other than any member of the Spinco Group) having been a member of any consolidated, combined, unitary or other group; and (iii) any Income Tax Liabilities arising from the Transfer and the Distribution (other than amounts described in subsection (a)(iii) hereof), regardless of when recognized.

(c) Other Taxes. The Parent Group shall pay, and shall indemnify and hold the Spinco Group harmless against, all liabilities for all Other Taxes attributable to the income, property or activities of any member of the Old Company Group or the Parent Group (other than, in both cases, a member of the Spinco Group), including all Other Taxes, if any, arising from the Transfer and the Distribution. Except as provided in the preceding sentence, the Spinco Group shall pay, and shall indemnify and hold the Parent Group harmless against, all liabilities for all Other Taxes attributable to the income, property or activities of any member of the Spinco Group. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement, the Company shall prepare and file, or cause to be prepared and filed, any Tax Return required under the New York Real Property Transfer Gains Tax, the New York Real Property Transfer Tax and the New York City Real Property Transfer Tax in connection with the Offer, the Merger, or the Transfer (other than amounts described in clause (iii) of subsection (a) hereof) and the Parent Group shall timely pay and indemnify the Spinco group against any taxes due and payable on such returns; and Spinco shall prepare and file, or cause to be prepared and filed, any Tax Return required under the New York Real Property Transfer Gains Tax, the New York Real Property Transfer Tax and the New York City Real Property Transfer Tax in connection with the Distribution and the Spinco Group shall timely pay and indemnify the Parent group against any taxes due and payable on such returns.

(d) To the extent that the Indemnifying Party is required to indemnify another party pursuant to this Section 5, the Indemnifying Party shall pay to the Indemnified Party, no later than 10 days prior to the due date of the relevant Tax Return or estimated Tax Return or 10 days after the Indemnifying Party receives the Indemnified Party's calculations, whichever occurs later,

the amount that the Indemnifying Party is required to pay the Indemnified Party under this Section 5. The Indemnified Party shall submit its calculations of the amount required to be paid pursuant to this Section 5, showing such calculations in sufficient detail so as to permit the Indemnifying Party to understand the calculations. If the Indemnifying Party disagrees with such calculations, it must notify the Indemnified Party of its disagreement in writing within 15 days of receiving such calculations. Any dispute regarding such calculations shall be resolved in accordance with Section 8 of this Agreement.

6. Carryovers. In the event that any member of the Spinco Group realizes any loss or credit for tax purposes for any taxable period beginning on or after the Distribution Date, such member may elect to carry back such loss or credit only with the written consent of Parent (which consent shall not be unreasonably withheld).

7. Refunds of Income Taxes or Other Taxes. The Spinco Group shall be entitled to all Refunds attributable to the Spinco Group, and the Parent Group shall be entitled to all Refunds attributable to the Company Group or the Old Company Group (other than those attributable to the Spinco Group). Notwithstanding the foregoing, the Parent Group shall be entitled to Refunds attributable to the Spinco Group that result from the carryback of a tax attribute by the Company Group, and the Spinco Group shall be entitled to Refunds attributable to the Company Group that result from the carryback of a tax attribute by the Spinco Group. A party receiving a Refund to which another party is entitled pursuant to this Agreement shall pay the amount to which such other party is entitled within ten days after the receipt of the refund. The amount of any Refund attributable to the Spinco Group shall be determined according to the principles set forth in the last sentence of Section 5(a) hereof.

8. Disputes. If the parties disagree as to the amount of any payment to be made under, or any other matter arising out of, this Agreement, the parties shall attempt in good faith to resolve such dispute, and any agreed-upon amount shall be paid to the appropriate party. If such dispute is not resolved within 15 days, the parties shall jointly retain the Independent Accoun-

ting Firm to resolve the dispute. If and to the extent that the dispute presents legal issues, the Independent Accounting Firm shall have the authority to consult the Independent Law Firm. The fees of the Independent Accounting Firm and the Independent Law Firm shall be borne equally by the Spinco Group and the Parent Group, and the decision of such Independent Accounting Firm and Independent Law Firm shall be final and binding on all parties. Following the decision of the Independent Accounting Firm and/or the Independent Law Firm, the parties shall each take or cause to be taken any action that is necessary or appropriate to implement such decision of the Independent Accounting Firm and the Independent Law Firm, including, without limitation, the prompt payment of underpayments or overpayments, with interest calculated on such overpayments and underpayments at the Overpayment Rate from the date such payment was due through the date such underpayment or overpayment is paid or refunded.

9. Control of Proceedings. In the case of any Proceeding with respect to Income Taxes or Other Taxes for which a party is or may be liable pursuant to this Agreement, Parent or Spinco, as the case may be, shall promptly give notice to the other party, informing such other party of the Proceeding in reasonable detail, and Parent or Spinco, as the case may be, shall execute or cause to be executed any powers of attorney or other documents necessary to enable the party that may be so liable to take all actions desired by such party with respect to such Proceeding. Such party shall have the right to control any such Proceeding and, to initiate any claim for refund, file any amended return or take any other action that it deems appropriate with respect to such Income Taxes or Other Taxes, provided, however, that if such Proceeding relates to a Tax Return for which the other party is Responsible, the Responsible party shall have the right, within a reasonable time after such notice is given, to deny the non-Responsible party control of such Proceeding. In the event that a Responsible party denies control of a Proceeding to a non-Responsible party, the parties shall agree upon the amount of such Income Taxes of Other Taxes for which the non-Responsible party is liable pursuant to this Agreement or, if the parties cannot so agree, shall submit the amount of such liability to arbitration for resolution (in a manner consistent with the procedures set forth in Section 8 hereof), which resolution shall determine the amount of

the payment to be made pursuant to this Agreement, taking into account the risks of litigation and the other practical considerations associated with the settlement of such a Proceeding, and the Responsible party shall have the sole discretion to defend, settle or take any action that it deems appropriate with respect to such Proceeding. For purposes of this Section 9, a party is Responsible for any Tax Return that it is required to file pursuant to Section 4 hereof, and Parent is Responsible for any Tax Returns of any member of the Old Company Group (excluding Tax Returns involving solely members of the Spinco Group).

10. Timing Adjustment.

(a) If an audit or other examination of any Income Tax Return of

the Parent Group or a Proceeding for any period for which Parent is responsible shall result (by settlement or otherwise) in any adjustment that (A) decreases deductions, losses or tax credits or increases income, gains or recapture of tax credits for such period and (B) will permit the Spinco Group to increase deductions, losses or tax credits or decrease income, gains or recapture of tax credits that would otherwise (but for such adjustment) have been taken or reported with respect to the Spinco Group for one or more taxable periods, Parent shall notify Spinco (Parent and Spinco, for purposes of this subsection (a), shall be deemed to include, where appropriate, the affiliated, unitary, combined or other group of which such party is a member) and provide it with adequate information so that it can reflect on the Income Tax Returns of the Spinco Group such increases in deductions, losses or tax credits or decreases in income, gains, or recapture of tax credits. With respect to such increases or decreases on Income Tax Returns, Spinco shall, and shall cause the Spinco Group to, pay to Parent the amounts of any Tax Benefits that result therefrom, within ten days of the date on which such Tax Benefits are realized.

(b) If an audit or other examination of any Income Tax Return of the Spinco Group or a Proceeding for any period for which Spinco is responsible shall result (by settlement or otherwise) in any adjustment that (A) decreases deductions, losses or tax credits or increases income, gains or recapture of tax credits for such period, and (B) will permit the Parent Group to in-

crease deductions, losses or tax credits or decrease income, gains or recapture of tax credits that would otherwise (but for such adjustment) have been taken or reported with respect to the Parent Group for one or more taxable periods, Spinco will notify Parent (Spinco and Parent, for purposes of this subsection (b), shall be deemed to include, where appropriate, the affiliated, unitary, combined or other group of which such party is a member) and provide it with adequate information so that it can reflect on the Income Tax Returns of the Parent Group such increases in deductions, losses or tax credits or decreases in income, gains, or recapture of tax credits. With respect to such increases or decreases on Income Tax Returns, Parent shall, and shall cause the Parent Group to, pay to Spinco the amounts of any Tax Benefits that result therefrom, within ten days of the date such Tax Benefits are realized.

(c) No later than 30 days after the date on which Spinco or Parent, as the case may be, receives notice pursuant to subsections (a) or (b) that a Tax Benefit may be available to the Spinco Group or Parent Group, respectively, Spinco or Parent, as the case may be, shall, and shall cause such members of the Parent Group or the Spinco Group or, in the case of Spinco, such members of the Old Company Group, as the case may be, to, as promptly as practicable, take such steps (including, without limitation, the filing of amended returns or claims for refunds where the amount of the Tax Benefit for any company in the aggregate exceeds $100,000) necessary or appropriate to obtain such Tax Benefit. Thereafter, Spinco or Parent, as the case may be, shall, and shall cause the Parent Group or the Spinco Group or, in the case of Spinco, the Old Company group, as the case may be, to, file all Income Tax Returns to obtain at the earliest possible time such Tax Benefit to the maximum extent available. Notwithstanding anything to the contrary in this Section 10, either party may, at its election, pay the amount of any Tax Benefit to the other party rather than filing amended returns or otherwise reflecting adjustments or taking positions on its Tax Returns. If such an election is made by a party, the party will be treated as having realized a Tax Benefit at the time such Tax Benefit would have been realized if such party had chosen to file amended returns or otherwise to reflect adjustments or to take positions on its Tax Returns; provided, however, that such party shall pay

to the other party, no later than 20 days after such party receives notice from the other party that a Tax Benefit may be available, the amount of Tax Benefit that such party would have obtained if such party had filed an amended Tax Return. Notwithstanding the foregoing, a party shall not be required to take steps to obtain a Tax Benefit or to pay the other party, if, in the opinion of such party's counsel, which counsel shall be reasonably acceptable to the other party, there is not substantial authority to seek such Tax Benefit.

(d) For purposes of this Agreement, a Tax Benefit shall be deemed to have been realized at the time any refund of Taxes is received or applied against other Taxes due, or at the time of filing of an Income Tax Return

(including any relating to estimated Taxes) on which a loss, deduction or credit is applied in reduction of Taxes which would otherwise be payable; provided, however, that, where a party has other losses, deductions, credits or similar items available to it, deductions, credits or items for which the other party would be entitled to a payment under this Agreement shall be treated as the last items utilized to produce a Tax Benefit. In accordance with the provisions of this subsection (d), Spinco and Parent agree that where a Tax Benefit may be realized that may result in a payment to, or reduce a payment by, the other party hereto, each party will as promptly as practicable take or cause its affiliate to take such reasonable or appropriate steps (including, without limitation, the filing of an amended return or claim for refund) to obtain at the earliest possible time any such reasonably available Tax Benefit. In the event that after payment of a Tax Benefit under this subsection (d), such Tax Benefit is reduced or eliminated because of a final decree or agreement of a taxing authority or the carryback of losses or credits, then the party to whom the Tax Benefit was paid shall pay to the other party the amount by which the Tax Benefit was reduced or eliminated plus interest on the amount returned at the Overpayment Rate from the date of payment to the date of repayment.

11. Payments.

(a) Any payment required by this Agreement that is not made on or before the date provided hereunder shall bear interest after such date at the

Overpayment Rate. In the case of any payment required hereunder to be made "promptly," such payment shall be considered late for purposes of this Agreement if not made 20 days after notice that such payment is due is provided. All payments made pursuant to this Agreement shall be made in immediately available funds.

(b) All payments made pursuant to this Agreement shall be treated as an adjustment (increase or decrease) in the amount contributed by Parent to the Company and by the Company to Spinco, and the parties shall not file any Tax Returns or Information Returns inconsistent with this position.

12. Termination of Prior Tax Sharing Agreements. This Agreement shall take effect on the Distribution Date and shall replace all other agreements, whether or not written, in respect of any Income Taxes or Other Taxes between or among any members of the Old Company Group, or their respective predecessors or successors, other than any such agreements made exclusively between or among any members of the Spinco Group. All such replaced agreements shall be cancelled as of the Distribution Date, and any rights or obligations existing thereunder thereby shall be fully and finally settled without any payment by any party thereto.

13. Notices. All notices, requests, demands and other communications required or permitted under this Agreement will be made in the manner provided in Section 11.5 of the Distribution Agreement.

14. Construction. The provisions of this Agreement shall be construed such that no increase or decrease in Income Taxes or Other Taxes or Tax Benefit is taken into account more than once.

15. Entire Agreement; Amendments. This Agreement constitutes the entire agreement of the parties concerning the subject matter hereof and supersedes all prior agreements, whether or not written, concerning such subject matter. This Agreement may not be amended except by an agreement in writing, signed by the parties.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York regardless of the laws that might

otherwise govern under applicable New York principles of conflicts of law.

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute together the same document.

18. Effective Date. This Agreement shall become effective only upon the occurrence of the Distribution Date and shall terminate and be null and void and of no force and effect upon any termination of the Merger Agreement.

19. Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LORAL CORPORATION

By:_____
Name:
Title:

LORAL TELECOMMUNICATIONS
ACQUISITION, INC.

By:_____
Name:
Title:

LOCKHEED MARTIN CORPORATION

By:_____
Name:
Title:

LAC ACQUISITION CORPORATION

By:_____
Name:
Title:

EXHIBIT B

CONDITIONS OF THE OFFER

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

(i) immediately prior to the expiration of the Offer (as extended in accordance with the terms of the Offer), (A) any applicable waiting period under the Antitrust Laws shall not have expired or been terminated or any approvals required under the EC Merger Regulations shall not have been received, (B) the Record Date for the distribution of shares of Spinco common stock to stockholders of the Company pursuant to the Distribution Agreement shall not have been set by the Company's Board of Directors, (C) the Public Indenture Merger Opinions shall not have been delivered to Purchaser and the applicable Public Indenture trustees, or (D) the number of Shares validly tendered and not withdrawn when added to the Shares then beneficially owned by Parent does not constitute two-thirds of the Shares then outstanding and represent two-thirds of the voting power of the Shares then outstanding on a fully diluted basis on the date of purchase; OR

(ii) on or after the date of this Agreement and prior to the acceptance for payment of Shares, any of the following conditions exist:

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

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

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

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

(e) there shall have been any statute, rule, regulation, judgment, order or injunction promulgated, enacted, entered, enforced or deemed applicable to the Offer, or any other legal action shall have been taken, by any state, federal or foreign government or governmental authority or by any U.S. court, other than the routine application to the Offer, the Merger or the Spin-Off of waiting periods under the HSR Act, that presents a substantial likelihood of (1) making the acceptance for payment of, or the payment for, some or all of the Shares illegal or otherwise prohibiting, restricting or significantly delaying consummation of the Offer, (2) imposing material limitations on the ability of Purchaser or Parent to acquire or hold or to exercise any rights of ownership of the Shares, or effectively to manage or control the Retained Business, the Company, the Retained Subsidiaries, Purchaser or any of their respective affiliates, which individually or in the aggregate could constitute a Significant Adverse Effect; or

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

(g) there shall have occurred (1) any general suspension of trading in, or limitation on prices for, securities on the New York Stock Exchange, Inc., (2) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States

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

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

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

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

(k) the Record Date shall not have occurred; or

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

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

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

[FORM OF]

EMPLOYMENT PROTECTION AGREEMENT

THIS AGREEMENT between Loral Corporation, a New York corporation (the "Company"), and _____ (the "Executive"), dated as of this 7th day of January 1996.

W I T N E S S E T H :

WHEREAS, the Company and the Executive have agreed to enter into an agreement providing the Company and the Executive with certain rights upon the occurrence of a Change of Control (as defined below) to assure the Company of continuity of management;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is hereby agreed by and between the Company and the Executive as follows:

1. Effective Date; Term. This Agreement shall be effective as of January 7, 1996. The Company may terminate this Agreement upon five (5) days advance written notice to the Executive; except that if this Agreement is in effect immediately prior to the date of a Change of Control (the "Effective Date"), it shall remain in effect for at least three (3) years following such Change of Control, and such additional time as may be necessary to give effect to the terms of this Agreement. This Agreement may also terminate as provided in Section 2(b) hereof.

2. Change of Control. (a) Except as provided in Section 2(b) hereof, for purposes of this Agreement, a "Change of Control" shall be deemed to have occurred if: (i) any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof)), excluding the Company, any majority owned subsidiary of the Company (a "Subsidiary") and any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee), but including a "group" as defined in Section 13(d)(3) of the Exchange Act (a "Person"), becomes the beneficial owner of shares of the Company having at least 50% of the total number of votes that may be cast for the election of directors of the Company (the "Voting Shares") provided, however, that such an event shall not constitute a Change of Control if such acquisition has been approved by a majority of the Incumbent Directors (as defined in subsection 2(a)(iii)); (ii) the shareholders of the Company shall approve

any merger or other business combination of the Company, sale of the Company's assets or combination of the foregoing transactions (a "Transaction") other than a Transaction involving only the Company and one or more of its Subsidiaries, a Transaction approved by a majority of the Incumbent Directors, or a Transaction immediately following which the shareholders of the Company immediately prior to the Transaction, excluding for this purpose any shareholder owning directly or indirectly more than 10% of the shares of the other company involved in the Transaction, continue to have a majority of the voting power in the resulting entity, or (iii) within any 24-month period beginning on or after January 7, 1996, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board of Directors of the Company (the "Board") or the board of directors of any successor to the Company, provided that any director who was not a director as of January 7, 1996 shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually or by prior operation of this subsection 2(a)(iii).

(b) This Agreement shall terminate upon, and no Change of Control shall be deemed to occur as a result of, the successful consummation of the "Offer" (as defined in Section 1.1(a) of the Agreement and Plan of Merger Dated as of

January 7, 1996 By and Among the Company, Lockheed Martin Corporation and LAC Acquisition Corporation), or upon the successful consummation of any transaction which is approved by the Incumbent Directors and as a result of which Lockheed Martin Corporation or a wholly owned subsidiary thereof acquires substantially all of the Company's voting securities or substantially all of the Company's defense businesses.

3. Retention Period. If the Executive is employed on the Effective Date, the Company agrees to continue the Executive in its employ, and the Executive agrees to remain in the employ of the Company, for the period (the "Retention Period") commencing on the Effective Date and ending on the earliest to occur of (i) the third anniversary of the Effective Date, and (ii) the date of any termination of the Executive's employment in accordance with Section 6 of this Agreement.

Position and Duties. (a) No Reduction in Position. During the Retention Period, the Executive's position (including titles), authority and responsibilities shall be at least commensurate with the highest of those held or exercised by him at any time during the 90-day period immediately preceding the Effective Date.

(b) Business Time. During the Retention Period, the Executive shall devote his full business time during normal

business hours to the business and affairs of the Company and use his best efforts to perform faithfully and efficiently the responsibilities assigned to him hereunder, to the extent necessary to discharge such responsibilities, except for

(i) reasonable time spent in serving on corporate, civic or charitable boards or committees of the nature similar to those on which the Executive served prior to the Change of Control, or otherwise approved by the Board, in each case only if and to the extent not substantially interfering with the performance of such responsibilities, and

(ii) periods of vacation and sick leave to which he is entitled.

It is expressly understood and agreed that the Executive's continuing to serve on any boards and committees on which he is serving or with which he is otherwise associated immediately preceding the Effective Date shall not be deemed to interfere with the performance of the Executive's services to the Company.

5. Compensation. (a) Base Salary. During the Retention Period, the Executive shall receive a base salary ("Base Salary") at a monthly rate at least equal to the monthly salary paid to the Executive by the Company and any of its affiliated companies immediately prior to the Effective Date. The Base Salary shall be reviewed at least once each year after the Effective Date, and may be increased (but not decreased) at any time and from time to time by action of the Board or any committee thereof or any individual having authority to take such action in accordance with the Company's regular practices. Neither payment of the Base Salary nor payment of any increased Base Salary after the Effective Date shall serve to limit or reduce any other obligation of the Company hereunder. For purposes of the remaining provisions of this Agreement, the term "Base Salary" shall mean Base Salary as defined in this Section 5(a) or, if increased after the Effective Date, the Base Salary as so increased.

(b) Annual Bonus. In addition to the Base Salary, the Executive shall be awarded for each fiscal year of the Company ending during the Retention Period an annual bonus (either pursuant to a bonus plan or program of the Company or otherwise) in cash at least equal to the greater of the two most recent fiscal year bonuses (annualized, if awarded in respect of a partial year) awarded to the Executive prior to the Effective Date under the bonus program of the Company applicable to such Executive ("Annual Bonus"). If a fiscal year of the Company begins, but does not end, during the Retention Period, the Executive shall receive an amount with respect to such fiscal year at least equal to the amount of the Annual Bonus multiplied by a fraction, the numerator of which is the number of days in

such fiscal year occurring during the Retention Period and the denominator of which is 365. Each amount payable in respect of the Executive's Annual Bonus shall be paid not later than 90 days after the fiscal year next following the fiscal year for which the Annual Bonus (or pro-rated portion) is earned or awarded, unless electively deferred by the Executive pursuant to any deferral programs or arrangements that the Company may make available to the Executive, in which event such deferred amount shall be payable in accordance with the terms of such deferral program or arrangement. Neither the Annual Bonus nor any bonus amount paid in excess thereof after the Effective Date shall serve to limit or reduce any other obligation of the Company hereunder.

(c) Incentive and Savings Plans and Retirement Programs. In addition to the Base Salary and Annual Bonus payable as hereinabove provided, during the Retention Period, the Executive shall be entitled to participate in all incentive and savings plans and programs, including stock option plans and other equity based compensation plans, and in all retirement plans, on a basis providing him with the opportunity to receive compensation (without duplication of the amount payable as an Annual Bonus) and benefits equal to those provided by the Company to the Executive on an annualized basis under such plans and programs as in effect at any time during the 90-day period immediately preceding the Effective Date. With respect to participation in stock option plans, Executive shall receive annual grants during the Retention Period at least equal to the average annual grants made to Executive during the two fiscal years immediately preceding the Effective Date.

(d) Benefit Plans. During the Retention Period, the Executive and his family shall be entitled to participate in or be covered under all welfare benefit plans and programs of the Company and its affiliated companies, including all medical, dental, disability, group life, accidental death and travel accident insurance plans and programs, as in effect at any time during the 90-day period immediately preceding the Effective Date.

(e) Expenses. During the Retention Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the policies and procedures of the Company as in effect at any time during the 90-day period immediately preceding the Effective Date.

(f) Vacation and Fringe Benefits. During the Retention Period, the Executive shall be entitled to paid vacation and fringe benefits in accordance with the policies of the Company as in effect at any time during the 90-day period immediately preceding the Effective Date.

(g) Office and Support Staff. During the Retention Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive at any time during the 90-day period immediately preceding the Effective Date.

6. Termination. (a) Death or Disability. The Executive's employment shall terminate automatically upon his death. The Company may terminate Executive's employment during the Retention Period, after having established the Executive's Disability, by giving the Executive written notice of its intention to terminate his employment, and his employment with the Company shall terminate effective on the 90th day after receipt of such notice if, within 90 days after such receipt, the Executive shall fail to return to full-time performance of his duties. For purposes of this Agreement, "Disability" means disability which, after the expiration of more than 26 weeks after its commencement, is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or his legal representatives (such agreement to acceptability not to be withheld unreasonably).

(b) Voluntary Termination. Notwithstanding anything in this Agreement to the contrary, the Executive may, upon not less than 30 days' written notice to the Company, voluntarily terminate employment during the Retention Period for any reason, provided that any termination by the Executive pursuant to Section 6(d) of this Agreement on account of Good Reason (as defined therein) shall not be treated as a voluntary termination under this Section 6(b).

(c) Cause. The Company may terminate the Executive's employment during the Retention Period for Cause. For purposes of this Agreement, "Cause" means

(i) gross misconduct on the Executive's part which is demonstrably willful and deliberate and which results in material damage to the Company's business or reputation or (ii) repeated material violations by the Executive of his obligations under Section 4 of this Agreement which violations are demonstrably willful and deliberate.

(d) Good Reason. The Executive may terminate his employment during the Retention Period for Good Reason. For purposes of this Agreement, "Good Reason" means

(i) a good faith determination by the Executive that, without his prior written consent, the Company or any of its officers has taken or failed to take any action (including, without limitation, (A) exclusion of the Executive from consideration of material matters within his area of responsibility, other than an insubstantial or inadvertent exclusion remedied by the Company promptly after receipt of notice thereof from the Executive, (B) statements

or actions which undermine the Executive's authority with respect to persons under his supervision or reduce his standing with his peers, other than an insubstantial or inadvertent statement or action which is remedied by the Company promptly after receipt of the notice thereof from the Executive, (C) a pattern of discrimination against or harassment of the Executive or persons under his supervision and (D) the subjection of the Executive to procedures not generally applicable to other similarly situated executives) which changes the Executive's position (including titles), authority or responsibilities under Section 4 of this Agreement or reduces the Executive's ability to carry out his duties and responsibilities under Section 4 of this Agreement;

(ii) any failure by the Company to comply with any of the provisions of Section 5 of this Agreement, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof from the Executive;

(iii) the Company's requiring the Executive to be employed at any location more than 35 miles further from his principal residence than the location at which the Executive was employed immediately preceding the Effective Date; or

(iv) any failure by the Company to obtain the assumption of and agreement to perform this Agreement by a successor as contemplated by Section 14(b) of this Agreement.

(e) Notice of Termination. Any termination by the Company for Cause or by the Executive for Good Reason during the Retention Period shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 15(c) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice given, in the case of a termination for Cause, within 10 business days of the Company's having actual knowledge of all of the events giving rise to such termination, and in the case of a termination for Good Reason, within 180 days of the Executive's having actual knowledge of the events giving rise to such termination, and which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated, and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than 15 days after the giving of such notice). The failure by the Executive to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of the Executive hereunder or preclude the Executive from asserting such fact or circumstance in enforcing his rights hereunder.

(f) Date of Termination. For purposes of this Agreement, the term "Date of Termination" means (i) in the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein and (ii) in all other cases, the actual date on which the Executive's employment terminates during the Retention Period.

7. Obligations of the Company upon Termination. (a) Death. If the Executive's employment is terminated during the Retention Period by reason of the Executive's death, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement other than those obligations accrued hereunder at the date of his death, including, for this purpose (i) the Executive's full Base Salary through the Date of Termination, (ii) the product of the Annual Bonus and a fraction, the numerator of which is the number of days in the current fiscal year of the Company through the Date of Termination, and the denominator of which is 365 (the "Pro-rated Bonus Obligation"), (iii) any compensation previously deferred by the Executive (together with any accrued earnings thereon) and not yet paid by the Company and (iv) any other amounts or benefits owing to the Executive under the then applicable employee benefit plans or policies of the Company (such amounts specified in clauses (i), (ii), (iii) and (iv) are hereinafter referred to as "Accrued Obligations"). Unless otherwise directed by the Executive (or, in the case of any employee benefit plan qualified (a "Qualified Plan") under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as may be required by such plan), all such Accrued Obligations shall be paid to the Executive's legal representatives in a lump sum in cash within 30 days of the Date of Termination. Anything in this Agreement to the contrary notwithstanding, the Executive's family shall be entitled to receive benefits at least equal to the most favorable level of benefits available to surviving families of executives of the Company and its affiliates under such plans, programs and policies relating to family death benefits, if any, of the Company and its affiliates in effect at any time during the 90-day period immediately preceding the Effective Date.

(b) Disability. If the Executive's employment is terminated by reason of the Executive's Disability, the Executive shall be entitled, after the Date of Termination until the date when the Retention Period would otherwise have terminated, to continue to participate in or be covered under the benefit plans and programs referred to in Section 5(d) of this Agreement or, at the Company's option, to receive equivalent benefits by alternate means at least equal to those provided in accordance with Section 5(d) of this Agreement. Unless otherwise directed by the Executive (or, in the case of any Qualified Plan, as may be required by such plan), the Executive shall also be paid all Accrued Obligations in a lump sum in cash within 30 days of the

Date of Termination. Anything in this Agreement to the contrary notwithstanding, the Executive shall be entitled to receive disability and other benefits at least equal to the most favorable level of benefits available to disabled employees and/or their families in accordance with the plans, programs and policies maintained by the Company or its affiliates relating to disability at any time during the 90-day period immediately preceding the Effective Date.

(c) Cause and Voluntary Termination. If, during the Retention Period, the Executive's employment shall be terminated for Cause or voluntarily terminated by the Executive (other than on account of Good Reason), the Company shall pay the Executive the Accrued Obligations other than the Pro-rated Bonus Obligation. Unless otherwise directed by the Executive (or, in the case of any Qualified Plan, as may be required by such plan), the Executive shall be paid all such Accrued Obligations in a lump sum in cash within 30 days of the Date of Termination and the Company shall have no further obligations to the Executive under this Agreement.

(d) Termination by Company other than for Cause or Disability and Termination by Executive for Good Reason. (i) Lump Sum Payment. If, during the Retention Period, the Company terminates the Executive's employment other than for Cause or Disability, or the Executive terminates his employment for Good Reason, the Company shall pay to the Executive in a lump sum in cash within 15 days after the Date of Termination the aggregate of the following amounts:

(A) if not theretofore paid, the Executive's Base Salary through the Date of Termination at the rate specified in Section 5(a) of this Agreement;

(B) a cash amount equal to three times the sum of

(1) the Executive's annual Base Salary at the rate specified in Section 5(a) of this Agreement;

(2) the Annual Bonus; and

(3) an amount equal to the average annual compensation received by the Executive (determined as the sum of the amount includable as current income to the Executive for tax purposes plus any amount which would have been so includable but for a deferral election) under the Company's restricted stock plan over the three fiscal years prior to the Change of Control; and

(4) the present value, calculated using the annual federal short-term rate as determined under Section 1274(d) of the Code, of (without duplication) (x) the annual cost to the Company (based on the

premium rates or other costs to it) of obtaining coverage equivalent to the coverage under the plans and programs described in Section 5(d) of this Agreement, and (y) the annualized value of the fringe benefits described under Section 5(f) of this Agreement;

provided, however, that with respect to the life and medical insurance coverage referred to in Section 5(d) of this Agreement, at the Executive's election made prior to the Date of Termination, the Company shall use its best efforts to secure conversion coverage and shall pay the cost of such coverage in lieu of paying the lump sum amount attributable to such life or medical insurance coverage; and

(C) a cash amount equal to any amounts (other than amounts payable to the Executive under any Qualified Plans) described in Sections 7(a)(iii) and (iv) of this Agreement.

(ii) Discharge of Company's Obligations. Subject to the performance of its obligations under this Section 7(d), the Company shall have no further obligations to the Executive in respect of any termination by the Executive for Good Reason or by the Company other than for Cause or Disability, except to the extent expressly provided under any of the plans referred to in Section 5(c) or 5(d) of this Agreement.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any stock option or other plans or agreements with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan or program.

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision) or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes with respect to the Gross-Up Payment (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the payments.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions

to be utilized in arriving at such determination, shall be made by

Coopers & Lybrand or such other nationally recognized accounting firm then auditing the accounts of the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, or is unwilling or unable to perform its obligations pursuant to this Section 9, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the potential uncertainty in the application of Section 4999 of the Code (or any successor provision) at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company

exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than 20 business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate

courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis, and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others whether by reason of the subsequent employment of the Executive or otherwise. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement, and no amount payable under this Agreement shall be reduced on account of any compensation received by the Executive from other employment. In the event that the Executive shall in good faith give a Notice of Termination for Good Reason and it shall thereafter be determined by mutual consent of the Executive and the Company or by a tribunal having jurisdiction over the matter that Good Reason did not exist, the employment of the Executive shall, unless the Company and the Executive shall otherwise

mutually agree, be deemed to have terminated, at the date of giving such purported Notice of Termination, by mutual consent of the Company and the Executive and, except as provided in the last preceding sentence, the Executive shall be entitled to receive only those payments and benefits which he would have been entitled to receive at such date otherwise than under this Agreement.

11. Disputes; Legal Fees and Expenses. (a) Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively and finally by expedited arbitration, conducted before a single arbitrator in New York, New York, in accordance with the rules governing employment disputes then in effect of the American Arbitration Association and the procedures set forth on Exhibit A hereto. The arbitrator shall be approved by both the Company and the Executive. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

(b) In the event that any claim by the Executive under this Agreement is disputed, the Company shall pay all reasonable legal fees and expenses incurred by the Executive in pursuing such claim, provided that the Executive is successful as to at least part of the disputed claim by reason of arbitration, settlement or otherwise.

12. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated

companies, and their respective businesses, (i) obtained by the Executive during his employment by the Company or any of its affiliated companies and (ii) not otherwise public knowledge (other than by reason of an unauthorized act by the Executive). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, unless compelled pursuant to an order of a court or other body having jurisdiction over such matter, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 12 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

13. Employment Contract or Severance Benefits. Notwithstanding anything else in this Agreement to the contrary, any amount payment to the Executive hereunder on account of his termination of employment shall be reduced on a dollar for dollar basis by each dollar actually paid to the Executive with respect to such termination under the terms of any employment contract between the Executive and the Company or under any severance program or policy applicable to the Executive. Nothing in this Agreement shall be construed to require duplication of any compensation, benefits or other entitlements provided to the

Executive by the Company under the terms of any employment contract which may address similar matters.

14. Successors. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, by an agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

15. Miscellaneous. (a) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, applied without reference to principles of conflict of laws.

(b) Amendments. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(c) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the address listed below
(with a copy to)

If to the Company: _____

_____

_____

Attention: Secretary
(with a copy to the attention
of the General Counsel)

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(d) Tax Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, State or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) Captions. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name on its behalf, and its corporate seal to be hereunto affixed and attested by its Corporate Counsel, all as of the day and year first above written.

LORAL CORPORATION

By

Name:
Title:

EXECUTIVE:

Address:

LORAL CORPORATION

EMPLOYMENT PROTECTION PLAN

(Effective January 7, 1996)

LORAL CORPORATION
EMPLOYMENT PROTECTION PLAN

(Effective January 7, 1996)

Loral Corporation (the "Company") believes that the best interests of the Company and its shareholders will be served if certain key employees of the Company are provided with certain rights upon a Change of Control (as hereinafter defined). Accordingly, the Company hereby establishes this "Loral Corporation Employment Protection Plan" (the "Plan") for the benefit of such key employees.

SECTION 1. DEFINITIONS

In addition to the terms defined in the preceding paragraph, the following definitions shall apply for purposes of the Plan.

1.1. "Annual Bonus" means the greater of the two most recent fiscal year bonuses (annualized, if awarded in respect of a partial year) awarded to an Eligible Employee prior to a Change of Control under the bonus program of any

Loral Company applicable to such Executive.

1.2. "Annual Salary" means an Eligible Employee's annual rate of regular salary as in effect immediately prior to the Change of Control.

1.3. "Board" means the Board of Directors of the Company.

1.4. "Cause" means any of the following, other than due to an Eligible Employee's Permanent Disability or death:

(a) an Eligible Employee's gross misconduct which is demonstrably willful and deliberate and which results in material damage to the Company's business or reputation; or

(b) an Eligible Employee's repeated willful and deliberate neglect of, or refusal to perform, the duties required or associated with the Eligible Employee's employment.

1.5. "Change of Control" means the occurrence of any of the following events: (i) any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof)), excluding the Company, any majority owned subsidiary of the Company (a "Subsidiary") and any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee), but including a "group" as defined in Section 13(d)(3) of the Exchange Act (a "Person"), becomes the beneficial owner of

shares of the Company having at least 50% of the total number of votes that may be cast for the election of directors of the Company (the "Voting Shares") provided, however, that such an event shall not constitute a Change of Control if such acquisition has been approved by a majority of the Incumbent Directors (as defined in subsection 1.4 (iii)); (ii) the shareholders of the Company shall approve any merger or other business combination of the Company, sale of the Company's assets or combination of the foregoing transactions (a "Transaction") other than a Transaction involving only the Company and one or more of its Subsidiaries, a Transaction approved by a majority of the Incumbent Directors, or a Transaction immediately following which the shareholders of the Company immediately prior to the Transaction, excluding for this purpose any shareholder owning directly or indirectly more than 10% of the shares of the other company involved in the Transaction, continue to have a majority of the voting power in the resulting entity, or (iii) within any 24-month period beginning on or after January 7, 1996, the persons who were directors of the Company immediately before the beginning of such period (the "Incumbent Directors") shall cease (for any reason other than death) to constitute at least a majority of the Board or the board of directors of any successor to the Company, provided that any director who was not a director as of January 7, 1996 shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually or by prior operation of this subsection 1.4 (iii); provided, however, that no Change of Control shall be deemed to occur as a result of the successful consummation of the "Offer" (as defined in Section 1.1(a) of the Agreement and Plan of Merger Dated as of January 7, 1996 By and Among the Company, Lockheed Martin Corporation and LAC Acquisition Corporation), or upon the successful consummation of any transaction which is approved by the Incumbent Directors and as a result of which Lockheed Martin Corporation or any wholly owned subsidiary thereof acquires substantially all of the Company's defense businesses (the "Lockheed Martin Merger").

1.6. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.7. "Committee" means the Compensation Committee of the Board.

1.8. "Common Stock" means the common stock of the Company, $.25 par value per share.

1.9. "Company" means the Loral Corporation and any successor or successors thereto.

1.10. "Eligible Employee" means each full-time employee of either the Company or another Loral Company whose name appears on Schedule A hereto.

1.11. "Eligible Termination" means an involuntary termination of employment without Cause, or a resignation for Good Reason, which occurs as of or within the three-year period following a Change of Control; provided, however, that the transfer of employment to another employer that is a member of the Loral Companies shall not in itself constitute an Eligible Termination (but any such transfer will not preclude another or accompanying event or reason from constituting or causing an Eligible Termination, and the protections of the Plan and corresponding obligations of the Company will remain in effect following any such transfer of employment).

1.12. "Good Reason" means any one or more of the following events, which occurs without an Eligible Employee's express prior written consent or approval, other than due to an Eligible Employee's Permanent Disability or death:

(i) a good faith determination by the Eligible Employee that the Company or any of its officers has taken or failed to take any action (including, without limitation, (A) exclusion of the Eligible Employee from consideration of material matters within his area of responsibility, other than an insubstantial or inadvertent exclusion remedied by the Company promptly after receipt of notice thereof from the Eligible Employee, (B) statements or actions which undermine the Eligible Employee's authority with respect to persons under his supervision or reduce his standing with his peers, other than an insubstantial or inadvertent statement or action which is remedied by the Company promptly after receipt of the notice thereof from the Eligible Employee, (C) a pattern of discrimination against or harassment of the Eligible Employee or persons under his supervision and (D) the subjection of the Eligible Employee to procedures not generally applicable to other similarly situated executives) which changes the Eligible Employee's position (including titles), authority or responsibilities under Section 4 of this Agreement or reduces the Eligible Employee's ability to carry out his duties and responsibilities under Section 4 of this Agreement;

(ii) any reduction in an Eligible Employee's Annual Salary or any material reduction in his annual bonus opportunity or employee benefits from the level in effect immediately prior to the Change of Control, other than an insubstantial or inadvertent failure remedied by the Company promptly after receipt of notice thereof from the Eligible Employee; or

(iii) the Company's requiring the Eligible Employee to be employed at any location more than 35 miles further

from his principal residence than the location at which the Eligible Employee was employed immediately preceding the Effective Date.

1.13. "Permanent Disability" means an Eligible Employee's inability, by reason of any physical or mental impairment, to substantially perform the significant aspects of his or her regular duties, which inability is reasonably contemplated to continue for at least one (1) year from its incurrence.

1.14. "Plan" means the Loral Corporation Employment Protection Plan, as set forth herein and as amended from time to time.

1.15. "Severance Period" means the period commencing on the date of an Eligible Employee's Eligible Termination and continuing for a period of twenty-four months.

1.16. "Loral Companies" means the Company and its subsidiaries and affiliates, and any successor or successors thereto.

SECTION 2. EFFECT OF AN ELIGIBLE TERMINATION

2.1. If an Eligible Employee incurs an Eligible Termination, the Eligible Employee shall be entitled to all applicable benefits provided hereafter in this Section 2 or as otherwise set forth in this Plan.

(a) Salary and Bonus: Within two (2) business days after the date of his or her Eligible Termination, the Company shall pay or cause to be paid to the Eligible Employee a single lump sum amount, in cash, equal to two times the sum of

(1) the Eligible Employee's Annual Salary,

(2) the Eligible Employee's Annual Bonus, and

(3) an amount equal to the average annual compensation received by the Eligible Employee (determined as the sum of the amount includable as current income to the Eligible Employee for tax purposes plus any amount which would have been so includable but for a deferral election) under the Company's restricted stock plan over the three fiscal years prior to the Change of Control.

(b) Continued Welfare Benefits: Until the earlier of the end of an Eligible Employee's Severance Period or the date on which such Eligible Employee becomes employed by a new employer, the Company shall, at its expense, provide such Eligible Employee with medical, dental, life insurance, disability and accidental death and dismemberment benefits at the highest level provided to

such Eligible Employee during the period beginning immediately prior to the Change of Control and ending on the date of such Eligible Employee's Eligible Termination; provided, however, that if the Eligible Employee becomes employed by a new employer which maintains a major medical plan (or its equivalent) that either (i) does not cover the Eligible Employee with respect to a pre-existing condition which was covered under the Company's major medical plan, or (ii) does not cover the Eligible Employee for a designated waiting period, the Eligible Employee's coverage under the Company's major medical plan shall continue (but shall be limited in the event of noncoverage due to a preexisting condition, to the preexisting condition itself) until the earlier of the end of the applicable period of noncoverage under the new employer's plan or the end of the Severance Period. Following such Severance Period or the date of new employment, if earlier, the regular rights of an Eligible Employee to continuation of benefits under COBRA coverage, if any, shall apply.

(c) Payment of Accrued But Unpaid Amounts: Within two (2) business days after the date of his or her Eligible Termination, the Company shall pay the Eligible Employee (i) any unpaid portion of the Eligible Employee's bonus accrued with respect to the full calendar year ended prior to the date of the Eligible Termination, and (ii) all compensation earned or previously deferred by such Eligible Employee but not yet paid (including cash compensation for vacation days accrued but not taken as of the date of the Eligible Termination, based on the Annual Salary amount converted to a per diem equivalent in accordance with the Company's normal payroll practices as in effect prior to the change of Control).

(d) Payment for Other Reduced Severance Benefits. The amounts payable to an Eligible Employee under this Section 2 are supplemental to any other severance benefits to which the Eligible Employee is entitled under any severance plan or Plan of the Loral Companies in effect as of the Change of Control (collectively, "Other Severance Benefits"). In the event that an Eligible Employee's Other Severance Benefits are reduced or eliminated after the Change of Control, the amount otherwise payable to an Eligible Employee hereunder upon an Eligible Termination shall be increased by the amount of such reduction or elimination.

2.2. Maximum Benefits: Anything in Section 2.1 to the contrary notwithstanding, payments under Section 2.1 shall not exceed the maximum amount which can be paid to an Eligible Employee without causing such payments to be treated as "excess parachute payments" for purposes of Section 280G of the Code taking into account all payments made to the Eligible Employee which constitute

"parachute payments" for purposes of Section 280G.

2.3. Mitigation: An Eligible Employee shall not be required to mitigate damages or the amount of any payment provided for

under this Plan by seeking other employment or otherwise, and compensation earned from such employment or otherwise shall not reduce the amounts otherwise payable under this Plan. No amounts payable under this Plan shall be subject to reduction or offset in respect of any claims which the Company or any member of the Loral Companies (or any other person or entity) may have against the Eligible Employee.

2.4. Withholding: The Company may, to the extent required by law, withhold applicable federal and state income, employment and other taxes from any payments due to any Eligible Employee hereunder.

SECTION 3. LIMITS ON AMENDMENT OR TERMINATION; EFFECT ON OTHER PLANS

3.1. This Plan shall terminate automatically and without further action by the Board upon the successful consummation of the Lockheed Martin Merger.

3.2. The Board may amend or terminate this Plan at any time; provided, however, that upon occurrence of a Change of Control, this Plan (expressly including, but not limited to, this Section 3) shall remain in effect, and may not be altered or amended in any way which would adversely affect the rights of any Eligible Employee hereunder, for at least three (3) years following the Change of Control, and for such additional time as may be necessary to give effect to the terms of the Plan as in effect at the Change of Control. Thereafter, the Board may amend or terminate this Plan in any manner which does not adversely affect the rights of any Eligible Employee who has incurred an Eligible Termination.

3.3 An Eligible Employee shall, after the date of his or her Eligible Termination, retain all rights (to the extent any such rights existed at any time prior to the Change of Control) to indemnification under applicable law or under the applicable Loral Companies' Certificate of Incorporation or By-Laws, as they may be amended or restated from time to time. In addition, to the extent coverage had been otherwise available to the Eligible Employee prior to the Change of Control, the Company shall maintain Director's and Officer's liability insurance on behalf of the Eligible Employee, at the level in effect immediately prior to the date of his or her Eligible Termination.

SECTION 4. ADMINISTRATION OF THE PLAN

4.1 The Committee shall be the Administrator of this Plan and shall have the exclusive right, power and authority to:

(a) interpret, in its sole discretion, any and all of the provisions of the Plan;

(b) establish a claims review procedure, if necessary and advisable; and

(c) consider and decide conclusively any questions (whether of fact or otherwise) arising in connection with the administration of the Plan or any claim for a benefit arising under the Plan.

Any decision or action of the Committee pursuant to this Section 4.1 shall be conclusive and binding.

4.2. The Company shall pay all costs and expenses, including attorneys' fees and disbursements, at least monthly, of any Eligible Employee in connection with any legal proceeding (including arbitration), whether or not instituted by a member of the Loral Companies or an Eligible Employee, relating to the interpretation or enforcement of any provision of this Plan, except that if such Eligible Employee instituted the proceeding and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Eligible

Employee instituted the proceeding in bad faith, the Eligible Employee shall pay all costs and expenses, including attorney's fees and disbursements, of such Eligible Employee.

SECTION 5. MISCELLANEOUS

5.1 Neither the establishment of the Plan nor any action of the Company, any other member of the Loral Companies, the Committee, or any fiduciary shall be held or construed to confer upon any person any legal right to continued employment with the Company or with any member of the Loral Companies.

Nothing in the Plan shall be construed to prevent the Company or any member of the Loral Companies from terminating an Eligible Employee's employment for Cause. If an Eligible Employee is terminated for Cause, the Company shall have no obligation to make any payments under this Plan, except for payments that may otherwise be payable under then existing Employee benefit plans, Plans and arrangements of the Company or of any other member of the Loral Companies.

5.2. Benefits payable under the Plan shall be paid out of the general assets of the Company. The Company is not required to fund the benefits payable under this Plan; provided, however, nothing in this Section 5.2 shall be interpreted as precluding the Company from funding or setting aside amounts in anticipation of paying any such benefits.

5.3. Benefits payable under the Plan shall not be subject to assignment, alienation, transfer, pledge, encumbrance, commutation or anticipation by any Eligible Employee. Any attempt to assign, alienate, transfer, pledge, encumber, commute or anticipate Plan benefits shall be void. In addition, no rights or interest under the Plan shall be in any manner subject

to levy, attachment or other legal process to enforce payment of any claim against any Eligible Employee except to the extent required by law.

5.4. Except as otherwise provided herein, this Plan shall be binding upon, inure to the benefit of and be enforceable by the Company and the Eligible Employees and their respective heirs, legal representatives, successors and assigns. If the Company shall be merged into or consolidated with another entity, the provisions of this Plan shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation, and such provisions shall also be binding upon and inure to the benefit of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, and such successor shall assume and perform the obligations, responsibilities and liabilities to which the Company or any member of the Loral Companies is subject under this Plan in the same manner and to the same extent that the Company or any member of the Loral Companies would be required to perform if no such succession had taken place. The provisions of this Section 5.4 shall continue to apply to each subsequent employer of any Eligible Employee in the event of any subsequent merger, consolidation or transfer of assets of any such subsequent employer.

5.5. This Plan shall be governed by and construed in accordance with the laws of the State of New York (without reference to rules relating to conflicts of laws), except to the extent superseded by applicable federal law.

5.6. Any action required or permitted to be taken by the Company under this Plan shall be taken by the Board or by the Committee, or any designee of the Committee pursuant to Section 4, in each case subject to the limits on amendment and termination contained in Section 3 hereof.

5.7. Entitlement to any benefits under this Plan is expressly subject to and conditioned upon the Eligible Employee agreeing to and signing (i) a customary exit letter that may contain confidentiality, future cooperation and other provisions, if requested, and (ii) the Company's standard form general release of employment and other claims that the Eligible Employee may have.

LORAL CORPORATION
SUPPLEMENTAL SEVERANCE PROGRAM

(Effective January 7, 1996)

Loral Corporation (the "Company") believes that the best interests of the Company and its shareholders will be served if certain key employees who have historically been engaged in or associated with the operations of the Company are encouraged to remain with the Company after the consummation of the Offer for the Common Stock of the Company pursuant to the Agreement and Plan of Merger Dated as of January 7, 1996 By and Among the Company, Lockheed Martin Corporation and LAC Acquisition Corporation (the "Merger Agreement"). Accordingly, the Company hereby establishes this "Loral Corporation Supplemental Severance Program" (the "Program") for the benefit of such key employees.

SECTION 1. DEFINITIONS

In addition to the terms defined in the preceding paragraph, the following definitions shall apply for purposes of the Program.

1.1. "Annual Salary" means an Eligible Employee's annual rate of base salary as in effect immediately prior to the Effective Date.

1.2. "Board" means the Board of Directors of Lockheed Martin.

1.3. "Cause" means any of the following, other than due to an Eligible Employee's Permanent Disability or death:

(a) an Eligible Employee's continuing willful neglect of, or refusal to perform, the duties required or associated with the Eligible Employee's employment;

(b) an Eligible Employee's willful disclosure of confidential information or trade secrets of Lockheed Martin which results in material harm to the business or reputation of Lockheed Martin;

(c) conviction of a felony, or a misdemeanor involving dishonesty, fraud, theft, larceny, or embezzlement, or any Federal offense of the type described in Article 14 of the Administrative Agreement between Lockheed Martin and the United States Air Force dated June, 1995; or

(d) a violation of Lockheed Martin's Standards of Conduct and Code of Ethics, which shall be provided to each Eligible Employee.

1.4. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

1.5. "Committee" means the Committee of the Board designated to administer the Plan.

1.6. "Company" means the Loral Corporation and any successor or successors thereto.

1.7. "Company Board" means the Board of Directors of the Company.

1.8. "Effective Date" means the date of the successful consummation of the Offer as set forth in the Merger Agreement.

1.9. "Eligible Employee" means each full-time employee of either the Company or another Loral Company selected by the Company Board prior to the

Effective Date for participation in the Program.

1.10. "Eligible Termination" means an involuntary termination of employment without Cause (other than by reason of Permanent Disability or death), or a resignation for Good Reason, which occurs on or within the two-year period following the Effective Date; provided, however, that the transfer of employment to another employer that is a member of the Lockheed Martin Companies shall not in itself constitute an Eligible Termination (but any such transfer will not preclude another or accompanying event or reason from constituting or causing an Eligible Termination, and the protections of the Program and corresponding obligations of the Company will remain in effect following any such transfer of employment).

1.11. "Good Reason" means any one or more of the following actions, without an Eligible Employee's express prior written consent or approval, other than due to an Eligible Employee's Permanent Disability or death:

(a) any removal of the Eligible Employee from any of the positions he or she holds immediately prior to a Change of Control or an elimination of any such positions, when the effect of such removal or elimination is a material diminution of status, responsibilities or duties, or any lowering of job grade, excluding for this purpose a removal from responsibility for, or involvement with, U.S. Government business affairs which removal is mandated by reason of an indictment, suspension or proposed debarment of the type described in Article 14 of the

Administrative Agreement between Lockheed Martin and the United States Air Force dated June, 1995; or

(b) any reduction of an Eligible Employee's Annual Salary.

1.12. "Permanent Disability" means an Eligible Employee's inability, by reason of any physical or mental impairment, to substantially perform the significant aspects of his or her regular duties, which inability is reasonably contemplated to continue for at least one (1) year from its incurrence.

1.13. "Offer" means the Offer as defined in Section 1.1(a) of the Merger Agreement.

1.14. "Program" means the Loral Corporation Supplemental Severance Program, as set forth herein and as amended from time to time.

1.15. "Severance Period" means the period commencing on the date of an Eligible Employee's Eligible Termination and continuing for a period of twelve months.

1.16. "Lockheed Martin" means Lockheed Martin Corporation.

1.17. "Lockheed Martin Companies" means Lockheed Martin and its subsidiaries and affiliates, and any successor or successors thereto.

1.18. "Target Bonus" means the annual bonus which would be payable to an Eligible Employee for the calendar year in which an Eligible Termination occurs, calculated on the assumption that the Eligible Employee and one or more Loral Companies or the Lockheed Martin Companies (or those entities or business units within the Loral Companies or the Lockheed Martin Companies) on whose performance the eligible Employee's bonus depends achieve the applicable target performance goals established under the applicable bonus plan with respect to that year. If no target performance goals for the year in which the Eligible Termination occurs have been set prior to the Eligible Termination, the Target Bonus shall be determined by substituting, in the previous sentence, the highest annual bonus paid to the Eligible Employee during the three years immediately preceding the year in which an Eligible Termination occurs.

1.19. "Loral Companies" means the Company and its subsidiaries and affiliates, and any successor or successors thereto.

SECTION 2. EFFECT OF AN ELIGIBLE TERMINATION

2.1. If an Eligible Employee incurs an Eligible Termination, the Eligible Employee shall be entitled to all applicable benefits provided hereafter in this Section 2 or as otherwise set forth in this Program.

(a) Payment of Salary Amount: Within twenty (20) business days after the date of his or her Eligible Termination, the Company shall pay or cause to be paid to the Eligible Employee a single lump sum amount, in cash, equal to the sum of (i) the Eligible Employee's Annual Salary, and (ii) the Eligible Employee's Target Bonus.

(b) Welfare Benefits: Within thirty (30) days after the date of his or her Eligible Termination, the Company shall pay to the Eligible Employee a single lump amount equal to the full cost of coverage for such Eligible Employee (taking into account any special medical or other conditions applicable to such Eligible Employee) during the Severance Period (or, if the Eligible Employee is provided with such coverage at no additional cost to him or her under any other severance plan or arrangement, for the period from the date such coverage terminates until the end of the Severance Period) for medical, dental, life insurance, disability and accidental death and dismemberment benefits at the level provided to such Eligible Employee immediately prior to such Eligible Termination.

(c) Payment of Accrued But Unpaid Amounts: Within twenty (20) business days after the date of his or her Eligible Termination, the Company shall pay the Eligible Employee any unpaid portion of the Eligible Employee's bonus accrued with respect to the full calender year ended prior to the date of the Eligible Termination and all compensation earned by such Eligible Employee but not yet paid (including cash compensation for vacation days accrued but not taken as of the date of the Eligible Termination, based on the Annual Salary amount converted to a per diem equivalent in accordance with the Company's normal payroll practices as in effect prior to the Effective Date), except that any compensation deferred by the Eligible Employee under any qualified or non-qualified deferred compensation plans shall be paid in accordance with the terms and provisions of such plans.

(d) Payment for Other Reduced Severance Benefits. The amounts payable to an Eligible Employee under this Section 2 are supplemental to any other severance benefits to which the Eligible Employee is entitled under any severance plan or program of the Loral Companies in effect as of the Effective Date (collectively, "Other Severance Benefits"). In the event that an Eligible Employee's Other Severance Benefits are reduced or eliminated after the Effective Date without his or her written

consent, the amount otherwise payable to an Eligible Employee hereunder upon an Eligible Termination shall be increased by the amount of such reduction or elimination.

2.2. Maximum Benefits: Anything in Section 2.1 to the contrary notwithstanding, payments under Section 2.1 shall not exceed the maximum amount which can be paid to an Eligible Employee without causing such payments to be treated as "excess parachute payments" for purposes of Section 280G of the Code taking into account all payments made to the Eligible Employee which constitute "parachute payments" for purposes of Section 280G.

2.3. Mitigation: An Eligible Employee shall not be required to mitigate damages or the amount of any payment provided for under this Program by seeking other employment or otherwise, and compensation earned from such employment or otherwise shall not reduce the amounts otherwise payable under this Program. No amounts payable under this Program shall be subject to reduction or offset in respect of any claims which the Company or any member of the Loral Companies (or any other person or entity) may have against the Eligible Employee.

2.4. Withholding: The Company may, to the extent required by law, withhold applicable federal and state income, employment and other taxes from any payments due to any Eligible Employee hereunder.

SECTION 3. LIMITS ON AMENDMENT OR TERMINATION; EFFECT ON OTHER PLANS

3.1. The Company Board may terminate this Program prior to the Effective Date. As of the Effective Date, this Program (expressly including, but not limited to, this Section 3) shall remain in effect, and may not be altered or amended in any way which would adversely affect the rights of any Eligible

Employee hereunder, for at least two (2) years following the Effective Date, and for such additional time as may be necessary to give effect to the terms of the Program as in effect at the Effective Date. Thereafter, the Company may amend or terminate this Program in any manner which does not adversely affect the rights of any Eligible Employee who has incurred an Eligible Termination.

3.2. An Eligible Employee shall, after the date of his or her Eligible Termination, retain all rights (to the extent any such rights existed at any time prior to the Effective Date) to indemnification under applicable law or under the applicable Loral Companies' Certificate of Incorporation or By-laws, as they may be amended or restated from time to time. In addition, to the extent coverage had been otherwise available to the Eligible

Employee prior to the Effective Date, the Company shall maintain Director's and Officer's liability insurance on behalf of the Eligible Employee, at the level in effect immediately prior to the date of his or her Eligible Termination.

SECTION 4. ADMINISTRATION OF THE PROGRAM

4.1. The Committee shall be the Administrator of this Program and shall have the exclusive right, power and authority to:

(a) interpret, in its sole discretion, any and all of the provisions of the Program;

(b) establish a claim review procedure, if necessary and advisable; and

(c) consider and decide conclusively any questions (whether of fact or otherwise) arising in connection with the administration of the Program or any claim for a benefit arising under the Program.

Any decision or action of the Committee pursuant to this Section 4.1 shall be conclusive and binding.

SECTION 5. MISCELLANEOUS

5.1. Neither the establishment of the Program nor any action of the Company, any other member of the Loral Companies or the Lockheed Martin Companies, the Committee, or any fiduciary shall be held or construed to confer upon any person any legal right to continued employment with the Company or with any member of the Loral Companies or the Lockheed Martin Companies.

Nothing in the Program shall be construed to prevent the Company or any member of the Loral Companies or the Lockheed Martin Companies from terminating an eligible Employee's employment for Cause. If an Eligible Employee is terminated for Cause, the Company shall have no obligation to make any payments under this Program, except for payments that may otherwise be payable under then existing employee benefit plans, programs and arrangements of the Company or of any other member of the Loral Companies or the Lockheed Martin Companies.

5.2 Benefits payable under the Program shall be paid out of the general assets of the Company. The Company is not required to fund the benefits payable under this Program; provided, however, nothing in this Section 5.2 shall be interpreted as

precluding the Company from funding or setting aside amounts in anticipation of paying any such benefits.

5.3. Benefits payable under the Program shall not be subject to assignment, alienation, transfer, pledge, encumbrance, commutation or anticipation by any Eligible Employee. Any attempt to assign, alienate, transfer, pledge, encumber, commute or anticipate Program benefits shall be void. In addition, no rights or interest under the Program shall be in any manner subject to levy, attachment or other legal process to enforce payment of any claim against any Eligible Employee except to the extent required by law.

5.4. Except as otherwise provided herein, this Program shall be binding upon, inure to the benefit of and be enforceable by the Company and the Eligible Employees and their respective heirs, legal representatives, successors and assigns. If the Company shall be merged into or consolidated with another entity, the provisions of this Program shall be binding upon and inure to the benefit of the entity surviving such merger or resulting from such consolidation, and such provisions shall also be binding upon and inure to the benefit of any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, and such successor shall assume and perform the obligations, responsibilities and liabilities to which the Company or any member of the Loral Companies is subject under this Program in the same manner and to the same extent that the Company or any member of the Loral Companies would be required to perform if no such succession had taken place. The provisions of this Section 5.4 shall continue to apply to each subsequent employer of any Eligible Employee in the event of any subsequent merger, consolidation or transfer of assets of any such subsequent employer.

5.5 This Program shall be governed by and construed in accordance with the laws of the State of New York (without reference to rules relating to conflicts of laws), except to the extent superseded by applicable federal law.

5.6. Any action required or permitted to be taken by the Company under this Plan shall be taken by the Company Board, the Board or by the Committee, or any designee of the Committee pursuant to Section 4, in each case subject to the limits on amendment and termination contained in Section 3 hereof.

5.7. Entitlement to any benefits under this Program is expressly subject to and conditioned upon the Eligible Employee agreeing to and signing (i) a customary exit letter that may contain confidentiality, future cooperation and other provisions, if requested, and (ii) the Company's standard form general

release of employment and other claims that the Eligible Employee may have.

EXHIBIT 99.1

Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996 among the Registrant, Loral Corporation, Loral Telecommunications Acquisition, Inc. and certain other wholly-owned subsidiaries of Wings Corporation.

Execution Copy

RESTRUCTURING, FINANCING AND DISTRIBUTION AGREEMENT

dated as of January 7, 1996

by and among

LORAL CORPORATION,

LORAL AEROSPACE HOLDINGS, INC.,

LORAL AEROSPACE CORP.,

LORAL GENERAL PARTNER, INC.,

LORAL GLOBALSTAR, L.P.,

LORAL GLOBALSTAR LIMITED,

LORAL TELECOMMUNICATIONS ACQUISITION, INC.
(TO BE RENAMED "LORAL SPACE & COMMUNICATIONS CORPORATION")

and

LOCKHEED MARTIN CORPORATION

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RESTRUCTURING, FINANCING AND DISTRIBUTION AGREEMENT

RESTRUCTURING, FINANCING AND DISTRIBUTION AGREEMENT, dated as of January 7, 1996, by and among Loral Corporation, a New York corporation (the "Company"), Loral Aerospace Holdings, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Holdings"), Loral Aerospace Corp., a Delaware corporation and a wholly-owned subsidiary of Holdings ("Aerospace"), Loral General Partner, Inc., a Delaware corporation and a wholly-owned subsidiary of Aerospace ("LGP"), Loral Globalstar, L.P., a Delaware limited partnership and a wholly-owned, indirect subsidiary of LGP ("LG"), Loral Globalstar Limited, a Cayman Islands corporation and a wholly-owned subsidiary of LGP ("Cayman"), Loral Telecommunications Acquisition, Inc. (to be renamed "Loral Space & Communications Corporation"), a Delaware corporation and a wholly-owned subsidiary of the Company ("Spinco"), and Lockheed Martin Corporation, a Maryland corporation ("Parent").

RECITALS:

WHEREAS, each of the Boards of Directors of the Company, Holdings, Aerospace, LGP and Cayman, and the general partner of LG have determined to cause certain of the transfers and other transactions contemplated in connection with the Restructuring (as hereafter defined);

WHEREAS, the Board of Directors of the Company has also determined to cause the distribution of shares of Spinco Common Stock (as hereafter defined) to the holders as of the Record Date (as hereafter defined) of the Company Common Stock (as hereafter defined) and to the holders of certain Cancelled Company Options (as hereafter defined);

WHEREAS, the Company and Spinco and the other parties hereto have determined that it is desirable to set forth the principal corporate transactions required to effect such transfers, share issuances and distribution and to set forth certain other agreements that will govern certain other matters prior to or following such distribution;

WHEREAS, the Company has entered into an Agreement and Plan of

Merger, dated as of the date hereof (the "Merger Agreement"), with Parent and LAC Acquisition Corporation, a New York corporation and a wholly-owned subsidiary of Parent (the "Purchaser"), providing for the Offer and the Merger (each as hereafter defined), as a result of which the Company, as the corporation surviving the Merger, will become a wholly-owned subsidiary of Parent; and

WHEREAS, in order to induce the parties to enter into this Agreement and in consideration of the Company's willingness to enter into the Merger Agreement, the parties hereto and certain other parties are entering or will enter into the Tax Sharing Agreement and the Stockholders Agreement (such capitalized terms, as hereafter defined) providing for certain ongoing relationships among the parties;

NOW, THEREFORE, in consideration of the foregoing and the agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. General. For convenience and brevity, certain terms used in various parts of this Agreement (including the Schedules) are listed in alphabetical order and defined or referred to below (such terms to be equally applicable to both singular and plural forms of the terms defined or referred to):

"Action" means any action, claim, suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal.

"Adjusted GAAP" means, except as otherwise set forth in Section 1.1(a) of the Disclosure Schedule, U.S. generally accepted accounting principles as in effect on the date hereof, applied on a basis consistent with the Company Financial Statements.

"Aerospace" shall have the meaning set forth in the recitals to this Agreement.

"Affiliate" of any specified person or entity means (x) any director or officer of, or any person or entity that beneficially owns at least 50% of the capital stock or other equity interests of, such specified person or entity, or (y) any other person or entity directly or indirectly controlling, controlled by, or under common control with, such specified person or entity, at any time during the period for which the determination of affiliation is being made; provided that the Company and the Retained Subsidiaries, on the one hand, and Spinco and the Spinco Companies, on the other hand, shall not, after giving effect to the Restructuring, be deemed to be Affiliates of each other for purposes of this Agreement.

"Agent" means the distribution agent appointed by the Company (subject to the prior written consent of Parent, which may not be unreasonably withheld) to distribute shares of Spinco Common Stock pursuant to the Distribution.

"Agreement" means this Restructuring, Financing and Distribution Agreement, together with all exhibits and schedules hereto, as the same may be amended from time to time in accordance with the terms hereof.

"Asset" means, with respect to any party, except as otherwise provided herein, any and all of such party's right, title and interest in and to all of the rights, properties, assets, claims, contracts and businesses of every kind, character and description, whether real, personal or mixed, whether accrued, contingent or otherwise, and wherever located, owned or used primarily by such party and its subsidiaries, including, without limitation, the following: (i) all cash, cash equivalents, notes and accounts receivable (whether current or non-current); (ii) all certificates of deposit, banker's acceptances and other investment

securities; (iii) all registered and unregistered trademarks, service marks, service names, trade styles and trade names (including, without limitation, trade dress and other names, marks and slogans) and all associated goodwill; all statutory, common law and registered copyrights; all patents; all applications for any of the foregoing together with all rights to use all of the foregoing and all other rights

in, to, and under the foregoing; all know-how, inventions, discoveries, improvements, processes, formulae (secret or otherwise), specifications, trade secrets, whether patentable or not, licenses and other similar agreements, confidential information, and all drawings, records, books or other indicia, however evidenced, of the foregoing; (iv) all rights existing under all Contracts and other business arrangements; (v) all real estate and all plants, buildings and other improvements thereon; (vi) all leasehold improvements and all machinery, equipment (including all transportation and office equipment), fixtures, trade fixtures and furniture; (vii) all office supplies, production supplies, spare parts, other miscellaneous supplies and other tangible property of any kind; (viii) all raw materials, work-in-process, finished goods, consigned goods and other inventories; (ix) all computer hardware, software, computer programs and systems and documentation relating thereto; all databases and reference and resource materials; (x) all prepayments or prepaid expenses; (xi) all claims, causes of action, choices in action, rights of recovery and rights of set-off of any kind; (xii) the right to receive mail, accounts receivable payments and other communications; (xiii) all customer lists and records pertaining to customers and accounts, personnel records, all lists and records pertaining to suppliers and agents, and all books, ledgers, files and business records of every kind; (xiv) all advertising materials and all other printed or written materials; (xv) all permits, licenses, approvals and authorizations of governmental authorities or third parties relating to the ownership, possession or operation of the Assets; (xvi) all capital stock, partnership interests and other equity or ownership interests or rights, directly or indirectly, in any subsidiary or other entity; (xvii) all goodwill as a going concern and all other intangible properties; and (xviii) all employee contracts, including, without limitation, the right thereunder to restrict the employee from competing in certain respects.

"Business Day" means any calendar day which is not a Saturday, Sunday or public holiday under the Laws of New York.

"Cancelled Company Option" means any option or other right to acquire shares of Company Common Stock which (i) has been granted by the Company to any employee

or director of the Company or any of its Subsidiaries, (ii) is outstanding immediately prior to, and remains unexercised as of, the Record Date, and (iii) will be cancelled pursuant to Section 2.10 of the Merger Agreement.

"Capital Contribution" shall mean any capital or other investment in the Spinco Business, Spinco or any Spinco Company (including, without limitation, (x) the acquisition of any equity or other interests in Spinco or any Spinco Company during such time period (except as otherwise expressly contemplated pursuant to the provisions of Article II hereof), (y) any contribution of cash, cash equivalents, marketable securities, receivables, inventory, prepaid expenses, real or personal property or any other assets to the Spinco Business, Spinco or any Spinco Company (except as otherwise expressly contemplated pursuant to the provisions of Article II hereof) and (z) the assumption of or payment by the Company or any Company Subsidiary of any Spinco Liabilities, and any prepayment, redemption, purchase or defeasance of Spinco Indebtedness (if any) or any other Spinco Liabilities) by the Company or any Company Subsidiary; provided that the term "Capital Contribution" shall not include (1) any amounts which are transferred following the date hereof and prior to the Offer Purchase Date and which are either (i) in connection with administrative and other similar services which are provided to any of the Spinco Companies in the ordinary course of the Company's business and which are consistent with the past practices of the Company (provided that the cost of any such services may only be allocated in a manner consistent with

the past practices of the Company), or (ii) (A) pursuant to the express terms and conditions of any Existing Intercompany Agreement and (B) in the ordinary course of business and in a manner consistent with past practice, (2) the Spinco Guarantee Warrants, or (3) the DBS Investment (as defined in the definition of Spinco Liabilities).

"Casualty Program" means collectively, the series of programs pursuant to which various insurance carriers provide insurance coverage to the Company and its subsidiaries in respect of claims or occurrences relating to workers' compensation liability, general liability, products liability, automobile liability and

employer's liability for all periods up to the Distribution Date.

"Cayman" shall have the meaning set forth in the recitals to this Agreement.

"CCD Lawsuit" means the litigation entitled Loral Fairchild Corp. vs. Sony Corporation, et al.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" shall have the meaning set forth in the recitals to this Agreement.

"Company Common Stock" means the common stock of the Company, par value $0.25 per share.

"Company Financial Statements" means the audited consolidated financial statements of the Company and its subsidiaries for the fiscal year ending March 31, 1995 (a copy of which is set forth in the Company's Annual Report on Form 10K for the year ended March 31, 1995).

"Confidentiality Agreement" means the confidentiality agreement dated as of December 4, 1995 between Parent and the Company.

"Continental" means Continental Satellite Corporation, a California corporation.

"Contract" means any contract, agreement, lease, license, sales order, purchase order, instrument or other commitment that is binding on any person or entity or any part of its property under applicable Law.

"Court Order" means any judgment, decree, injunction, order or ruling of any Governmental Entity that is binding on any person or its property under applicable Law.

"Disclosure Schedule" means the disclosure schedule dated as of the date hereof and attached hereto. References to a particular section of the Disclosure Schedule shall only refer or modify the specific Section of this Agreement to which such Schedule relates (i.e.,

Section 6.2(c) of the Disclosure Schedule shall refer to or modify only Section 6.2(c) of this Agreement), unless otherwise expressly set forth herein.

"Distribution" means the distribution of the shares of Spinco Common Stock owned by the Company to holders of Company Common Stock and to holders of Cancelled Company Options pursuant to the provisions of this Agreement (including, without limitation, the provisions of Section 3.2(b) hereof).

"Distribution Conditions" means each of the conditions set forth in clauses (i) through (ix) of Section 10.1(a) hereof.

"Distribution Date" means the date as of which the Distribution shall be effected as determined by the Board of Directors of the Company, subject to the terms and conditions of this Agreement (including, without limitation, the provisions of Section 3.2(a) hereof).

"Distribution Declaration Date" means the date on which the Board of Directors of the Company takes action to declare the Distribution and establish the Record Date.

"Existing Intercompany Agreement" means any written Intercompany Agreement or regular, established accounting practice, consistently applied, which is in existence prior to December 31, 1995.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"FCC" means the U.S. Federal Communications Commission.

"Final Order" means any consent, approval or other action of the FCC (a) relating to any of the transactions contemplated pursuant to either this Agreement or the Merger Agreement and (b) (i) which has not been vacated, reversed, stayed, set aside, annulled or suspended, (ii) with respect to which no timely appeal, request for stay or petition for rehearing, reconsideration or review by any party or by the FCC on its own motion, is pending, (iii) as to which the time for filing any such appeal, request, petition or other similar

document has expired, and (iv) as to which the time for reconsideration or review by the FCC on its own motion under the Communications Act (as defined in the Merger Agreement) and the rules and regulations of the FCC has expired.

"Form 10" means the registration statement on Form 10 to be filed by Spinco with the SEC to effect the registration of the Spinco Common Stock pursuant to the Exchange Act.

"Globalstar" means Globalstar, L.P., a Delaware limited partnership.

"Globalstar Bank Guarantee" means the Guarantee, dated as of December 15, 1995, made by Loral in favor of Chemical Bank, as agent for the lenders from time to time parties to the Globalstar Credit Agreement.

"Globalstar Credit Agreement" means the Credit Agreement, dated as of December 15, 1995 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions of Section 2.5 hereof), among Globalstar, Chemical Bank, as agent for the lenders from time to time parties thereto and the other parties thereto.

"Globalstar Partners" means those Persons (or any Affiliates thereof) holding direct or indirect partnership interests in either Globalstar, LQSS or LQP.

"Guarantee Warrants" means those warrants to purchase shares of common stock of GTL (or warrants to purchase partnership interests in Globalstar, as the case may be), which warrants are to be issued in connection with the Globalstar Bank Guarantee to the Company and, under certain circumstances, to certain parties which hold partnership interests in Globalstar, as more fully described in the Globalstar Warrant Memorandum and the term sheet set forth on Exhibit A-1 attached hereto.

"Globalstar Warrant Memorandum" means the December 21, 1995 memorandum from Michael B. Targoff to Enrique Fernandez relating to, among other things, the Globalstar Bank Guarantee and the Globalstar Credit Agreement.

"Governmental Entity" means any United States or any foreign, federal, state or local government, court, administrative agency or commission or other governmental or regulatory body or authority.

"GTL" means Globalstar Telecommunications Limited, a company organized under the laws of Bermuda.

"Holdings" shall have the meaning set forth in the recitals to this Agreement.

"Indemnifiable Losses" means, with respect to any claim by an Indemnified Party for indemnification pursuant to Articles II, V, VI or VIII hereof, any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, the costs and expenses of any and all Actions, demands, assessments, judgments, settlements and compromises relating thereto and the costs and expenses of attorneys', accountants', consultants' and other professionals' fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), including direct and consequential damages, but excluding punitive damages (other than punitive damages awarded to any third party against an Indemnified Party) suffered by such Indemnified Party with respect to such claim.

"Indemnified Party" means any party which is seeking indemnification from an Indemnifying Person pursuant to the provisions of Articles II, V, VI or VIII hereof.

"Indemnifying Party" means any party hereto from which any Indemnified Party is seeking indemnification pursuant to the provisions of Articles II, V, VI or VIII hereof.

"Information" shall have the same meaning as defined in Section 7.2 hereof.

"Information Statement" means the information statement to be sent to the holders of the Company's equity securities in connection with the Distribution.

"Intellectual Property Rights" means all right, title, interest and all license and other rights, to the extent held by the Company and its Subsidiaries immediately prior to the Restructuring, with respect to each of the following items: all patents, patent applications, copyrights, copyright applications, trademarks, trademark applications and trade names, in each case as used in the business of the Company and its Subsidiaries as conducted immediately prior to the Restructuring.

"Intercompany Agreements" means any Contracts between any entities included within the Retained Business (including, without limitation, the Company and the Retained Subsidiaries), on the one hand, and any entities included within the Spinco Business (including, without limitation, Spinco and the Spinco Companies), on the other hand.

"K&F" means K&F Industries, Inc., a Delaware corporation.

"LG" shall have the meaning set forth in the recitals to this Agreement.

"LGP" shall have the meaning set forth in the recitals to this Agreement.

"LQP" means Loral/QUALCOMM Partnership, L.P., a Delaware limited partnership.

"LQSS" means Loral/QUALCOMM Satellite Services, L.P., a Delaware limited partnership.

"Law" means any statute, law, rule, regulation, ordinance, order, decree or judgment of any Governmental Entity, including, without limitation, those covering environmental, energy, safety, health, transportation, telecommunications, recordkeeping, zoning, antidiscrimination, antitrust, wage and hour, and price and wage control matters.

"Lehman Partnerships" means each of Shearson Lehman Brothers Capital Partners II, L.P., Lehman Brothers Merchant Banking Portfolio Partnership L.P., Lehman Brothers Offshore Investment Partnership L.P. and Lehman Brothers Offshore Investment Partnership-Japan L.P.

"Lehman Preferred Stock" means the shares of Series S Redeemable Preferred Stock, par value $.10 per share, of Holdings which are held by any of the Lehman Partnerships, any of their respective transferees or any other persons.

"Liability" means, with respect to any party, except as otherwise expressly provided herein, any direct or indirect liability (whether absolute, accrued, contingent, reflected on a balance sheet (or in the notes thereto) or otherwise, and whether known or unknown), indebtedness, obligation, expense, claim, deficiency, guarantee or endorsement of or by any person (including, without limitation, those arising under any Law or Action or under any award of any court, tribunal or arbitrator of any kind, and those arising under any contract, commitment or undertaking).

"Lien" means any mortgage, pledge, lien, encumbrance, charge, adverse claim (whether pending or, to the knowledge of the person against whom the adverse claim is being asserted, threatened), defect of title or restriction of any nature whatsoever on any property or property interest (regardless of whether such property or property interest is real or personal, tangible or intangible, or otherwise), or a security interest of any kind, including, without limitation, any conditional sale or other title retention agreement, any third party option or other agreement to sell and any filing of or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statute) of any jurisdiction (other than a financing statement which is filed or given solely to protect the interest of a lessor).

"Merger" shall have the meaning set forth in the Merger Agreement.

"Merger Agreement" shall have the meaning set forth in the recitals to this Agreement.

"NYSE" means the New York Stock Exchange, Inc.

"Offer" shall have the meaning set forth in the Merger Agreement.

"Offer Purchase Date" means the date on which the Purchaser accepts for payment and pays for Shares tendered pursuant to the Offer.

"Parent" shall have the meaning set forth in the recitals to this Agreement.

"Parent Indemnified Parties" shall have the same meaning as defined in Section 5.2(a) hereof.

"Person" or "person" means and includes any individual, partnership, joint venture, corporation, association, joint stock company, trust, unincorporated organization or similar entity and any Governmental Entity.

"Purchaser" shall have the meaning set forth in the recitals to this Agreement.

"Record Date" means the date determined by the Board of Directors of the Company as the record date for the Distribution, subject to the terms and conditions of this Agreement (including, without limitation, the provisions of Section 3.2(a) hereof).

"Restructuring" means collectively, the transactions contemplated pursuant to the provisions of Article II hereof.

"Retained Action" shall have the same meaning as defined in Section 5.6 hereof.

"Retained Assets" means all Assets of the Company and each Retained Subsidiary (including, without limitation, (A) all shares of capital stock, partnership interests and other equity or ownership interests or ownership rights in all subsidiaries and other entities owned directly or indirectly by the Company or any of the Retained Subsidiaries, (B) all rights to Assets held

by such subsidiaries and entities, (C) except as provided in Sections 4.1 and 4.2 hereof, all cash and cash equivalents held by the Company or any of the Retained Subsidiaries, (D) the Company Names and Company Proprietary Names (such terms, as defined in Section 6.4 hereof), (E) the Retained Actions and all other Actions commenced by the Company or any Retained Subsidiary (to the extent such Actions constitute Assets), and (F) the licenses of

Intellectual Property Rights referred to in Section 6.7 hereof to be granted to Parent, the Company and each of their respective Affiliates), other than the Spinco Assets.

"Retained Business" means all businesses of the Company and the Retained Subsidiaries and all businesses included within the Retained Assets (including, without limitation, the Company's electronic combat business, the Company's training and simulation business, the Company's tactical weapons business, the Company's command, control, communications and intelligence (C3I)/reconnaissance business and the Company's systems integration business (each as described in the Company's Annual Report on Form 10K for the year ended March 31, 1995)), as conducted by the Company and its subsidiaries as of the Distribution Date and all former businesses of the Company and the Retained Subsidiaries; provided that the term "Retained Business" shall not include the SpincoBusiness.

"Retained Employees" shall mean all current and former officers and employees of the Company and its subsidiaries, other than the Spinco Employees.

"Retained Liabilities" means all of the Liabilities of the Company and each of the Retained Subsidiaries, other than the Spinco Liabilities.

"Retained Subsidiaries" means all of the Subsidiaries of the Company, other than the Spinco Companies.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Severance Agreement" means any Contract which provides for the payment of any cash or other consideration to an officer, director or employee of the Company or any of its Subsidiaries upon the consummation of either the Offer, the Merger, the Restructuring or the Distribution.

"Spinco" shall have the meaning set forth in the recitals to this Agreement.

"Spinco Assets" means all right, title and interest, to the extent held by the Company and its Subsidiaries or any of the other Spinco Companies immediately prior to the Restructuring, with respect to each of the following items: (a) all shares of capital stock of and all partnership interests in (as the case may be) the Spinco Companies, (b) the Spinco Cash Amount, (c) the Spinco Names and Spinco Proprietary Name Rights (such terms, as defined in Section 6.4 hereof), (d) any Actions commenced by a Spinco Company the subject matter of which is otherwise a Spinco Asset or any Action which relates primarily to a Spinco Asset (to the extent such Actions constitute Assets), (e) shares of capital stock of Loral Travel Services Inc. and Loral Properties Inc., (f) that portion of the leasehold interest relating to the office space on not more than two floors reasonably designated by Spinco within 30 days after the date hereof with respect to the building located at 600 Third Avenue, New York, New York and such existing furniture, fixtures, and office equipment located on such floors which is reasonably designated by Spinco within thirty (30) days after the date hereof, (g) the licenses of Intellectual Property Rights referred to in Section 6.7 hereof to be granted to Spinco or the Spinco Companies, (h) the CCD Lawsuit, and (i) the FCC license applications and other Assets listed on Section 1.1(b) of the Disclosure Schedule. The term "Spinco Assets" shall also include (A) the Cash Guarantee Fees accruing to the benefit of the Company and (B) the number of Guarantee Warrants equal to the product of (x) the aggregate number of Guarantee Warrants which might be issued and (y) a ratio of the Spinco Assumed Guarantee Amount (as defined in Section 2.5(d) hereof) to the total amount of Obligations (as defined in Section 2.5 hereof) under the Globalstar

Bank Guarantee in connection with the Globalstar Bank Guarantee, but shall not include any other Guarantee Warrants which may be issued from time to time to the Company.

"Spinco Balance Sheet" means the unaudited, pro forma, consolidated balance sheet (including the related notes) of the Spinco Business as of September 30, 1995 set forth in Section 1.1(d) of the Disclosure Schedule.

"Spinco Business" means each business and each former business which is or was conducted by Spinco or a Spinco Company as of the Distribution Date or which is or was included within the Spinco Assets.

"Spinco Cash Amount" means the cash amount referred to in Section 2.1(a)(xiv) hereof.

"Spinco Common Stock" means the common stock, par value $0.01 per share, of Spinco, together with the associated preferred stock purchase rights to be issued pursuant to a rights agreement to be entered into between Spinco and a rights agent to be selected by Spinco.

"Spinco Companies" means (a) each of SSL, GTL, K&F, Globalstar, LGP, LG, Cayman, LQSS, LQP, Continental and the companies referred to in paragraph (e) of the definition of "Spinco Assets", and (b) all Subsidiaries of any of the entities listed in paragraph (a) above after giving effect to the Restructuring.

"Spinco Employees" means (x) those persons who are employed as officers or employees of Spinco and the Spinco Companies or otherwise employed in the Spinco Business immediately prior to or effective as of the Distribution Date, and (y) all former officers and employees of Spinco, any Spinco Company or the Spinco Business who, immediately prior to the termination of their employment, were employed by Spinco, any Spinco Company or the Spinco Business. In the event any person shall have been employed by Spinco or any of the Spinco Companies, as well as by the Company or any of the Retained Subsidiaries, such person shall be considered a Spinco Employee if at the Distribution Date such person's primary employment shall be with Spinco, any of the Spinco Companies or the Spinco Business.

"Spinco Indebtedness" means (a) any and all of the following items which are incurred or entered into by Spinco or any Spinco Company or otherwise incurred or entered into in connection with the Spinco Business: (i) indebtedness for money borrowed, (ii) indebtedness which is evidenced by notes, debentures, bonds or other similar instruments; (iii) any lease of any property (whether real, personal or mixed) that, in accordance with generally accepted accounting principles, either would be required to be classified and accounted for as a capital

lease on a balance sheet or otherwise be disclosed as such in a note to any such balance sheet; (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement; and (v) all obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (b) all obligations of the type referred to in clauses (i), (ii), (iii), (iv) and (v) of paragraph (a) above of which Spinco, any Spinco Company or the Spinco Business is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including any guarantees of such obligations; and (c) all obligations of the type referred to in clauses (i), (ii), (iii), (iv) and (v) of paragraph (a) above or referred to in paragraph (b) above, which are secured by any Lien on any property or asset of Spinco, any Spinco Company, any Affiliate of Spinco or the Spinco Business.

"Spinco Indemnified Parties" shall have the same meaning as defined in Section 5.3(a) hereof.

"Spinco Liabilities" means (a) all of the Liabilities of Spinco and the Spinco Companies to third parties and all Liabilities relating to or arising out of the Spinco Assets or the conduct of the Spinco Business (in all cases, whether arising before or after the date hereof); (b) all Liabilities reflected

or reserved against in the Spinco Balance Sheet and all similar Liabilities arising after the date thereof; (c) any Actions commenced by a Spinco Company the subject matter of which is otherwise a Spinco Asset or any Action which relates primarily to a Spinco Asset (to the extent such Actions constitute Liabilities); (d) except as otherwise provided in Article VIII hereof, the Liabilities of the Company and its subsidiaries, including, without limitation, Spinco and the Spinco Companies, in respect of Spinco Employees (in all cases, whether arising before or after the date hereof) (excluding, however, all wages, salary, bonus and other similar amounts accrued prior to the Distribution Date in respect of Spinco New York Employees); (e) all Liabilities relating to or arising out of the Spinco Assets or the conduct of the Spinco Business (in all cases, whether arising before or after the date hereof) with respect to which the Company or any Retained Subsidiary has agreed, prior to the Distribution Date, to indemnify any third party in any manner with re-

spect thereto or has agreed to otherwise be, or is otherwise, liable with respect thereto; (f) all Company Transfer Expenses (as defined in Section 2.6 hereof) and all other Indemnifiable Losses referred to in Section 2.6 hereof; (g) all Spinco Excess Costs (as defined in Section 11.3 hereof); and (h) the amount of any and all consideration paid, and any and all Liabilities incurred, by the Company, Spinco, any Spinco Company or any Retained Subsidiary or any of their respective Affiliates, following the date hereof but prior to the consummation of the Restructuring, in connection with the acquisition of any securities issued by Continental (whether held by any third party or otherwise) or any Assets of Continental, but only to the extent that the aggregate fair market value of such consideration and Liabilities exceeds in the aggregate $7,500,000.00 (for purposes of this clause (h), the term "Continental" shall include any other Person, program or business which conducts direct broadcast satellite operations similar in nature to those operations conducted or proposed to be conducted by Continental) (the parties hereto acknowledge and agree that, if the Company acquires any such securities or Assets, that all amounts paid or Liabilities incurred in connection therewith not in excess of such $7,500,000.00 threshold (the "DBS Investment"), shall not otherwise be included within the term "Spinco Liabilities"). Notwithstanding the foregoing, the term "Spinco Liabilities" shall not include any Liabilities of the Company arising pursuant to the express provisions of the Globalstar Bank Guarantee (as amended pursuant to the provisions of Section 2.5 hereof), except as otherwise expressly provided in Section 2.5 hereof.

"Spinco New York Employees" means those Spinco Employees who are located prior to the date hereof at the office building located at 600 Third Avenue, New York, New York; provided that the term "Spinco New York Employees" shall not include any employees whose primary employment is with the Spinco Business and shall not include senior executive officers of the Company.

"Spinco Preferred Stock" means the Series A Non-Voting Convertible Preferred Stock, par value $0.01 per share, of Spinco, having the rights, powers, privileges and other terms set forth in the Certificate of Incorporation of Spinco (which, pursuant to Section 2.3(a) hereof, shall be in substantially the same form as

the provisions set forth on Exhibit B attached hereto (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date)).

"SSL" means Space Systems/Loral, Inc., a Delaware corporation.

"SSL Lawsuit" means the litigation entitled "Space Systems/Loral, Inc. v. Martin Marietta Corporation."

"SSL Stockholders Agreements" means each of (a) the Stockholders Agreement by and among the Company, Holdings, SSL, Aerospatiale Societe Nationale Industrielle, Alcatel Espace and Alenia Aeritalia & Selenia S.p.A., dated as of April 22, 1991 (as amended by Amendment No. 1, dated as of November 10 1992), and (b) the Stockholders Agreement by and among Holdings, Aerospace, the Company and the Lehman Partnerships, dated as of November 13, 1992.

"Stockholders Agreement" means the Stockholders Agreement to be entered

into between the Company and Spinco following the date hereof, the material terms of which are set forth on Exhibit A to this Agreement.

"Subsidiary" or "subsidiary" of any party means (a) a corporation, a majority of the voting or capital stock of which is as of the time in question directly or indirectly owned by such party and (b) any other partnership, joint venture, association, joint stock company, trust, unincorporated organization or similar entity, in which such party, directly or indirectly, owns a majority of the equity interest thereof or has the power to elect or direct the election of a majority of the members of the governing body of such entity or otherwise has control over such entity (e.g., as the managing partner of a partnership).

"Tax Sharing Agreement" means the Tax Sharing Agreement, in the form of Exhibit A to the Merger Agreement, pursuant to which the Company and Spinco have provided for certain tax matters, including, without limitation, indemnification, allocation of tax benefits and filing of tax returns.

Section 1.2. References to Time. All references in this Agreement to times of the day shall be to New York City time.

ARTICLE II

THE RESTRUCTURING AND RELATED TRANSACTIONS

Section 2.1. Transfers of Assets.

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

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

(ii) immediately following the actions referred to in the immediately preceding clause, Cayman shall transfer to LGP all of its right, title and interest in and to all shares of capital stock of GTL owned by Cayman and may transfer all, or a portion of, the partnership interests in LG owned by Cayman, by means of a dividend to LGP of such equity securities;

(iii) immediately following the actions referred to in the immediately preceding clause, LGP shall transfer to Aerospace all of its right, title and interest in and to all shares of capital stock of Cayman and GTL owned by LGP and may transfer all, or a portion of, the partnership interests in LG owned by LGP, by means of a dividend to Aerospace of such equity securities;

(iv) immediately following the actions referred to in the immediately preceding clause, Aerospace shall transfer to Holdings all of its right, title and interest in and to all shares of capital stock owned by Aerospace in Cayman, GTL, LGP and SSL and all partnership interests in LG owned by it, by means of a dividend to Holdings of such equity securities;

(v) immediately following the actions referred to in the immediately preceding clause, Holdings shall transfer to the Company all of its right, title and interest in and to (x) all shares of capital stock owned by Holdings in Cayman, GTL, LGP and Continental, (y) 64.125 percent (64.125%) of the shares of capital stock owned by Holdings in SSL, and (z) all partnership interests in LG owned by Holdings, by means of a dividend of such equity securities;

(vi) immediately following the actions referred to in the immediately preceding clause, LGP may transfer to Spinco or to any Spinco Subsidiary designated by Spinco, all (or any other portion thereof reasonably designated by Spinco) of LGP's right, title and interest in the partnership interests in LG and LQP;

(vii) immediately following the actions referred to in the preceding clauses, the Company shall transfer to Spinco all of its right, title and interest in and to all shares of capital stock owned by the Company in Cayman, GTL, K&F, LGP, SSL and Continental and all partnership interests in LG owned by the Company, in exchange for, among other things, the issuance by Spinco to the Company of the shares of Spinco Common Stock;

(viii) immediately following the actions referred to in the immediately preceding clause, the Company shall transfer to Spinco (and the Company shall cause each of its subsidiaries to transfer to Spinco) all of their right, title and interest in and to all Spinco Assets not otherwise transferred to Spinco pursuant to the provisions of this Section 2.1(a), in the case of assets not held directly by the Company, by a distribution to the Company and, in each case by means of a contribution by the Company to the capital of Spinco of such Spinco Assets (provided that the foregoing provisions shall not be construed to constitute a transfer by the Company to Spinco of any capital stock of Spinco owned at that time by the Company);

(ix) immediately following the actions referred to in the immediately preceding

clause, Spinco shall transfer to the Company (and Spinco shall cause each of its Subsidiaries to transfer to the Company) all of its right, title and interest in and to all Retained Assets not otherwise transferred to the Company pursuant to the provisions of this Section 2.1(a) (if any), in each case by means of a dividend of such Retained Assets (provided that the foregoing provisions shall not be construed to constitute a transfer by the Spinco to Company of the rights of Spinco under this Agreement);

(x) immediately following the actions referred to in the immediately preceding clause, the Company shall assume and shall in due course pay, perform and discharge (or shall cause to be assumed and cause in due course to be paid, performed and discharged), all of the Retained Liabilities to which the Spinco Business or the Spinco Assets are then subject or otherwise liable;

(xi) immediately following the actions referred to in the immediately preceding clause, Spinco shall assume and shall in due course pay, perform and discharge (or shall cause to be assumed and cause in due course to be paid, performed and discharged), all of the Spinco Liabilities to which the Retained Business or the Retained Assets are then subject or otherwise liable;

(xii) following, or prior to, the actions referred to in the preceding clauses, Holdings shall transfer all its right, title and interest in its shares of capital stock of SSL owned by it that are not transferred pursuant to clause (v), above, either to Spinco or, pursuant to Section 2.7, to the Lehman Partnerships;

(xiii) in connection with the actions referred to in the preceding clauses, Spinco shall issue to the Company the shares of Spinco Common Stock referred to in Section 2.4 hereof; and

(xiv) following the actions referred to in the preceding clauses and following Parent's acceptance for payment of Shares of Company Common Stock in connection with the Offer, on or prior to

the Distribution Date and prior to the Distribution, Parent shall transfer to the Company, as a contribution to capital, $712,400,000 in immediately available funds, less any amount which the parties hereto have at such time agreed is owed to Parent pursuant to the provisions of Sections 4.1(a) and 4.1(c) hereof (the aggregate of such cash amount being hereinafter referred to as the "Spinco Cash Amount"), and the Company shall then immediately contribute the Spinco Cash Amount to Spinco, as a contribution to capital, of which $344,000,000.00 shall be in exchange for

the Spinco Preferred Stock and the balance shall be treated as additional consideration for the Spinco Common Stock.

(b) Notwithstanding anything else in this Agreement to the contrary but subject to the provisions of Section 2.6 hereof, this Agreement shall not constitute an agreement to assign, convey or transfer any Action, Liability, Asset or Contract or any claim or right or any benefit arising thereunder or resulting therefrom as to which (x) a prior right of assignment, conveyance or transfer exists (including, without limitation, a Third Party Call Right (as defined in Section 2.6 hereof)) which has not been waived as of the Distribution Date or (y) consent to assignment, conveyance or transfer thereof is required but has not been obtained as of the Distribution Date (including, without limitation, any Asset which has been pledged to any third party creditor and with respect to which such pledge has not been released prior to the Distribution Date). Subject to the preceding sentence and the provisions of Section 6.2 hereof, to the extent that any such contributions and transfers shall not have been so consummated prior to the Distribution Date, the parties shall cooperate to effect such consummation as promptly thereafter as shall be practicable, and as between the Company and Spinco, as of the Distribution Date, (i) the Company shall be deemed to have contributed to Spinco, and Spinco shall have and be deemed to have obtained, complete and sole beneficial ownership over all of the Spinco Assets, together with all of the rights, powers and privileges incident thereto which are held by the Company and the Retained Subsidiaries, and Spinco shall be deemed to have assumed in accordance with the terms of this Agreement all of the Spinco Liabilities and all of the duties, obligations and

responsibilities of the Company and the Retained Subsidiaries incident thereto, whether or not all instruments of transfer and assumption shall have been executed and delivered, and (ii) Spinco shall be deemed to have transferred to the Company and the Retained Subsidiaries, and the Company and the Retained Subsidiaries shall have and be deemed to have obtained, complete and sole beneficial ownership over all of the Retained Assets which are being transferred from Spinco and the Spinco Companies pursuant to the provisions of this Section 2.1(a), together with all of the rights, powers and privileges incident thereto which are held by Spinco and the Spinco Companies, and the Company and the Retained Subsidiaries shall be deemed to have assumed in accordance with the terms of this Agreement all of the Retained Liabilities and all of the duties, obligations and responsibilities of Spinco and the Spinco Companies incident thereto, whether or not all instruments of transfer and assumption shall have been executed and delivered.

Section 2.2. Methods of Transfer and Assumption. The parties hereto agree that (a) the transfers of Assets contemplated pursuant to Section 2.1 hereof shall be effected by delivery by Spinco to the Company, and by the Company to Spinco, as the case may be, of (i) with respect to those Assets which are evidenced by capital stock certificates or similar instruments, certificates duly endorsed in blank or accompanied by stock powers or other instruments of assignment executed in blank, (ii) with respect to any real property interest and/or any improvements thereon, a quitclaim deed or the equivalent thereof in accordance with local practice, and (iii) with respect to all other Assets, such good and sufficient instruments of contribution, transfer and delivery, in form and substance reasonably satisfactory to the Company, Parent and Spinco, as shall be necessary to vest in the Company or Spinco, as the case may be, all of the right, title and interest of Spinco or the Company, as the case may be, in and to any such Assets, (b) the assumption of the Retained Liabilities contemplated pursuant to Section 2.1(a)(x) hereof shall be effected by delivery by the Company to Spinco of such good and sufficient instruments of assumption, in form and substance reasonably satisfactory to the Company, Parent and Spinco, as shall be necessary for the assumption by the Company of the Retained Liabilities, and (c) the assumption of the Spinco Liabilities contemplated pursuant to Section 2.1(a)(xi)

hereof shall be effected by delivery by Spinco to the Company of such good and sufficient instruments of assumption, in form and substance reasonably satisfactory to the Company, Parent and Spinco, as shall be necessary for the assumption by Spinco of the Spinco Liabilities. Each of the parties hereto also

agrees to deliver to any other party hereto such other documents, instruments and writings as may be reasonably requested by such other parties hereto in connection with the transactions contemplated hereby. Notwithstanding any other provisions of this Agreement to the contrary, (x) the instruments of transfer or assumption referred to in this Section 2.2 shall not, without the prior written consent of Parent, include any separate representations and warranties, and (y) in the event and to the extent that there is any conflict between the provisions of this Agreement and the provisions of any of the instruments of transfer or assumption referred to in this Section 2.2, the provisions of this Agreement shall prevail and govern.

Section 2.3. Company Approval of Certain Spinco Actions; Formation of Spinco. Unless otherwise provided in this Agreement, the Company shall cooperate with Spinco and the Spinco Companies in effecting, and if so requested by Spinco the Company shall, as the sole stockholder of Spinco, ratify any actions that are reasonably necessary or desirable to be taken by Spinco to effectuate the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including, without limitation, the following: (a) amending the Certificate of Incorporation of Spinco so that the provisions thereof shall at the Distribution Date have the provisions set forth on Exhibit B attached hereto and such other terms and conditions as Parent and Spinco shall reasonably approve (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date); (b) amending the By-Laws of Spinco so that the provisions thereof shall at the Distribution Date have the provisions set forth on Exhibit C attached hereto and such other terms and conditions as Parent and Spinco shall reasonably approve (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date); (c) adopting a shareholder rights plan of Spinco having substantially the same provisions, as of the Distribution Date, as those set forth on Exhibit D attached hereto (with such changes thereto as the Board of Directors of the Company may approve in its

reasonable discretion prior to the Offer Purchase Date); (d) adopting, preparing and implementing appropriate plans, agreements and arrangements for Spinco Employees and Spinco non-employee directors (including, without limitation, employee benefit plans, agreements and arrangements substantially similar to those set forth on Exhibit E attached hereto (with such changes thereto as the Board of Directors of the Company may approve in its reasonable discretion prior to the Offer Purchase Date)); and (e) electing to the Board of Directors of Spinco those persons referred to in Section 6.3 hereof so that such persons shall be able to serve as the sole members of Spinco's Board of Directors as of the Distribution Date.

Section 2.4. Issuance of Spinco Stock to the Company. Spinco agrees to issue to the Company, (a) contemporaneously with the transfers of Assets and assumption of Liabilities contemplated in connection with the Restructuring, one share of Spinco Common Stock for each share of Company Common Stock held of record as of the Record Date and such number of shares of Spinco Preferred Stock as may be necessary to satisfy the representations and warranties set forth in Section 4.1(c) of the Stockholders Agreement (which shares of Spinco Preferred Stock shall, in the aggregate, be convertible into such number of shares of Spinco Common Stock as shall equal 20% of the total number of shares of Spinco Common Stock to be outstanding on a fully-diluted basis, immediately after giving effect to the Distribution and after giving effect to the conversion of such Spinco Preferred Stock). In addition, Spinco agrees to issue to the Company on or prior to the Record Date such additional shares of Spinco Common Stock as may be required in order for the Company to fulfill its obligations pursuant to Section 3.2 hereof.

Section 2.5. Treatment of Globalstar Bank Guarantee.

(a) Spinco shall, and prior to the Offer Purchase Date the Company shall, use their respective reasonable efforts to amend the Globalstar Bank Guarantee so that, following the Restructuring, (x) the provisions of Section 10 of the Globalstar Bank Guarantee shall be deleted and shall have no force and effect against the Company or any of its Affiliates (provided that, in the

event that the Globalstar Bank Guarantee is amended in the manner provided in

this Section 2.5, Parent agrees to assume the obligations of the Company as guarantor under the Globalstar Bank Guarantee), and (y) the aggregate amount of indebtedness being guaranteed by the Company (or Parent, as the case may be) under the Globalstar Bank Guarantee shall not exceed $250,000,000; provided that the amendments contemplated in this sentence shall be in such form and substance as shall be reasonably acceptable to Parent. Notwithstanding anything to the contrary contained in this Agreement, except as otherwise expressly provided in this Section 2.5, neither the Company nor Spinco shall, nor shall they permit any of their respective Affiliates to, (i) amend or in any way modify either the Globalstar Bank Guarantee, the Globalstar Credit Agreement, the Guarantee Warrants or any other Contract, in a manner which adversely affects any of the benefits, rights or obligations of the Company with respect to either the Globalstar Bank Guarantee, the Globalstar Credit Agreement or the Guarantee Warrants, without obtaining the prior written consent of Parent (which consent may not be unreasonably withheld), or (ii) waive or diminish any rights of subrogation of the Company with respect to the Globalstar Bank Guarantee or take any other action which adversely affects any of the benefits, rights or obligations of the Company with respect to either the Globalstar Bank Guarantee, the Globalstar Credit Agreement or the Guarantee Warrants, without obtaining the prior written consent of Parent (provided that the consent of Parent need not be obtained with respect to the diminution of any rights of subrogation held by the Company and its Affiliates where (A) Globalstar determines within 90 days to either issue to the Company subordinated indebtedness of Globalstar having an aggregate principal amount (the repayment of which, together with interest thereon, may be deferred for up to 3 years) equal to, or equity interests in Globalstar having a fair market value equal to, the aggregate of the amounts paid or incurred or Liabilities assumed by the Company or its Affiliates in connection with the Globalstar Bank Guarantee, and (B) the Company and its Affiliates are treated no less favorably with respect to the matters set forth in this clause (ii) than the manner in which Spinco and those of the Globalstar Partners who have assumed liability in connection with the Globalstar Bank Guarantee are treated with respect to such matters.

(b) Spinco shall, and prior to the Offer Purchase Date the Company shall, use its respective reasonable efforts to cause the Globalstar Partners to assume the obligations of the Company (or Parent, as the case may be) as guarantor under the Globalstar Bank Guarantee in an aggregate amount of up to the Maximum Partner Assumed Guarantee Amount (as defined below), and to cause the Company (or Parent, as the case may be) to be released in respect thereof. The parties hereto acknowledge that the Guarantee Warrants will be initially issued to the Company, Spinco and the Globalstar Partners in direct proportion to the amount of liability in respect of the Globalstar Bank Guarantee for which each such person has agreed to be liable, that is, 60% to the Company and 40% to Spinco, and that 100% of the deferred cash fees payable in respect of the Globalstar Bank Guarantee (the "Cash Guarantee Fee") will be initially payable solely to Spinco, subject to reallocation to Globalstar Partners assuming such obligations as provided in Section 2.6(d).

(c) Spinco agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party which both (i) arise out of, relate to or result from the Globalstar Bank Guarantee or any failure by Globalstar to pay when due any principal, interest or other amounts owing under the Globalstar Credit Agreement or any failure by Globalstar to perform and abide by all other obligations, covenants, conditions and agreements applicable to it under such Globalstar Credit Agreement, and (ii) exceed in the aggregate $150,000,000.00; provided that in no event shall Spinco's liability in connection with the Globalstar Bank Guarantee exceed the Spinco Assumed Guarantee Amount (as defined below). Spinco hereby pledges to the Company, and grants the Company a security interest in, all Guarantee Warrants held at any time by Spinco or its Subsidiaries (and all rights, benefits and proceeds in respect thereof), as collateral in respect of Spinco's indemnity obligations set forth in the immediately preceding sentence, and the Company shall be entitled to exercise all of the rights, powers and remedies (whether arising pursuant to this Agreement, statute, common law, equity or otherwise) for the protection and enforcement of the Company's

rights under this Section 2.5. Spinco hereby agrees to deliver to the Company all certificates representing Guarantee Warrants promptly following receipt thereof. Upon receipt from Spinco of any certificates representing Guarantee Warrants, the Company shall hold such certificates as pledgee thereof. The Company shall have all rights with respect to the Guarantee Warrants owned by Spinco and pledged to the Company hereunder as afforded a secured party under the Uniform Commercial Code. The Company agrees to transfer to Spinco or as Spinco shall direct and release its security interest in any Guarantee Warrants of Spinco held by the Company which are required to be transferred pursuant to Section 2.5(d) hereof. The Company shall also release the Guarantee Warrants from the lien of the security interest granted hereunder at the later of (i) the release of the Company from the Globalstar Bank Guarantee and (ii) the satisfaction in full of Spinco's in full of Spinco's indemnification obligations hereunder with respect to Globalstar Bank Guarantee. Upon delivery to the Company by Spinco of the pledged Guarantee Warrants, the Company shall confirm to Spinco in writing that the Company will be holding such Guarantee Warrants as pledge thereof.

(d) For purposes of this Section 2.5, (i) the term "Maximum Partner Assumed Guarantee Amount" shall mean the sum of (A) $150,000,000.00 in principal amount of indebtedness, plus (B) sixty percent (60%) of the aggregate of all interest amounts thereon in accordance with the Globalstar Credit Agreement (other than unpaid principal) which are owed under the Globalstar Credit Agreement, (ii) the term "Actual Partner Assumed Guarantee Amount" shall mean the aggregate amount of guarantee obligations with respect to which all Globalstar Partners have actually guaranteed pursuant to the provisions of this Section 2.5, and (iii) the term "Spinco Assumed Guarantee Amount" shall mean the sum of (A) $100,000,000.00 in principal amount of indebtedness, plus (B) forty percent (40%) of the aggregate of all interest amounts and other Obligations (such term, as defined in the Globalstar Bank Guarantee)(other than unpaid principal) which are owed under the Globalstar Credit Agreement; provided that the Spinco Assumed Guarantee Amount shall be reduced on a dollar-for-dollar basis by the amount of the Actual Partner Assumed Guarantee Amount (if any) (provided that the Spinco Assumed Guarantee Amount shall in no event be less than zero), provided further

that (x) Spinco will convey to each Globalstar Partner which assumes a portion of the Globalstar Bank Guarantee Obligation a pro rata share of the Cash Guarantee Fees and, with respect to the first $100,000,000 of obligations so assumed, a pro rata share of the Guarantee Warrants and (y) the Company will convey to each such Globalstar Partner, with respect to the next $50,000,000 of obligations so assumed, a pro rata share of the Guarantee Warrants.

Section 2.6. Transfers of Spinco Capital Stock Subject to Rights of First Offer, Etc.

(a) Third Party Call Rights. In the event that any Spinco Assets consist of shares of capital stock of a Spinco Company, which shares are subject to any right of first offer, right of first refusal, call right, third party option or other similar contractual right (including, without limitation, any rights of first offer (if any) arising out of the SSL Stockholders Agreements) on the part of any party (other than the Company, any Retained Subsidiary, Spinco and any Spinco Company) (such third party, a "Third Party Transferee") to require that such shares be sold or otherwise transferred to such Third Party Transferee (any such right, a "Third Party Call Right", and any such shares subject to such right, the "Restricted Spinco Shares"), then Spinco shall (x) deliver or cause to be delivered all notice(s) which are required to be delivered by the Company, Spinco, any Retained Subsidiary or any Spinco Company in connection with any such Third Party Call Rights (unless delivery of such notice(s) has been waived by the recipient(s) thereof), and (y) use its reasonable efforts to cause each such Third Party Transferee to waive all Third Party Call Rights held by such Third Party Transferee. In the event that Spinco is unable to obtain any such waiver with respect to any Restricted Spinco Shares prior to the Distribution Date, then such Restricted Spinco Shares shall not be assigned, conveyed or transferred to Spinco pursuant to this Agreement unless and until such Restricted Spinco Shares are no longer subject to acquisition by any Third Party Transferee pursuant to any Third Party Call Rights (provided that, prior to such assignment, conveyance or transfer to either the Third Party Transferee pursuant to this Section 2.6 or to Spinco pursuant to this Agreement, such Restricted Spinco Shares shall, to the extent applicable, be subject to the provi-

sions of Section 2.1(b) hereof). In the event that a Third Party Transferee exercises any Third Party Call Right with respect to any Restricted Spinco Shares, then (i) such Restricted Spinco Shares shall be transferred to such Third Party Transferee in accordance with the terms and conditions of the Third Party Call Right relating thereto, and (ii) the Company shall turn over promptly to Spinco all cash and other amounts if and when received by the Company or any Retained Subsidiary from such Third Party Transferee in connection therewith. The parties hereto acknowledge and agree that the amounts referred to in clause (ii) of the preceding sentence shall be received and held in trust and may not be set off or reduced by any amounts which may otherwise be owed to any of the Parent Indemnified Parties pursuant to this Agreement.

(b) Third Party Put Rights. In the event that any party (other than the Company, any Retained Subsidiary, Spinco and any Spinco Company) (such third party, a "Third Party Transferor") has any put right or other similar contractual right (including, without limitation, any put rights (if any) arising out of the SSL Stockholders Agreements) to require that the Company or any Retained Subsidiary acquire any shares of capital stock of a Spinco Company which are then beneficially owned or held by such Third Party Transferor (any such right, a "Third Party Put Right", and any such shares subject to such right, the "Spinco Put Shares"), then Spinco shall (x) deliver or cause to be delivered all notice(s) which are required to be delivered by the Company, Spinco, any Retained Subsidiary or any Spinco Company in connection with any such Third Party Put Rights (unless delivery of such notice(s) has been waived by the recipient(s) thereof), and (y) use its reasonable efforts to cause such Third Party Transferor to waive all Third Party Put Rights held by such Third Party Transferor. In the event that Spinco is unable to obtain any such waiver with respect to any Restricted Spinco Shares and any such Third Party Transferor exercises any Third Party Put Right with respect to any Spinco Put Shares, then (i) Spinco shall pay to the Company in immediately available funds (and without any deductions or setoffs) prior to the date of such acquisition (but in no event later than the third Business Day prior to the anticipated date of such acquisition) the sum of (x) the entire amount which is required to be paid to such Third Party

Transferor in connection with such Third Party Put Right, and (y) all Company Transfer Expenses (as defined below) for which documentation evidencing such Company Transfer Expenses has been provided to Spinco prior to such date (except, in the case of either clause (x) or (y) above, for those amounts which have already been paid in full by Spinco), (ii) the Company or the Retained Subsidiary which is responsible for acquiring such Spinco Put Shares upon the exercise of such Third Party Put Right shall acquire such Spinco Put Shares in accordance with the terms and conditions of the Third Party Put Right relating thereto, and (iii) following receipt of the amounts payable by Spinco to the Company pursuant to clause (i) above and following receipt of the certificates representing any Spinco Put Shares acquired pursuant to clause (ii) above, the Company (or any Retained Subsidiary which received such certificates) shall thereafter deliver promptly to Spinco (or any Spinco Company designated by Spinco) such certificates, accompanied by such endorsements or instruments of transfer as may be reasonably requested by Spinco.

(c) Payment of Expenses; Indemnification. Spinco agrees that it shall reimburse the Company and all Parent Indemnified Parties promptly with respect to all costs and expenses incurred by the Company and all other Parent Indemnified Parties (including, without limitation, all costs and expenses of attorneys', accountants', consultants' and other similar persons) in connection with any Actions relating to (x) the exercise or purported exercise of any Third Party Call Right or any Third Party Put Right or (y) the consummation of any transactions contemplated pursuant to the provisions of this Section 2.6 (all such costs and expenses, the "Company Transfer Expenses"). Spinco agrees that all Indemnifiable Losses (including, without limitation, all Company Transfer Expenses) of the Company and all Parent Indemnified Parties arising out of, relating to or resulting from, directly or indirectly, the performance or failure to perform by any party hereto of the provisions of this Section 2.6 or any of the transfers in any way relating thereto (other than as a result of any willful breach, on or after the Offer Purchase Date, on the part of the Company or any Retained Subsidiary) shall in each case be deemed to be Spinco Liabilities, and, in each case, shall be subject to the indemnification provisions set forth in Article V hereof.

Section 2.7. Exchange of Lehman Preferred Stock. Spinco shall, and prior to the Offer Purchase Date the Company shall, use their respective best efforts to cause the Lehman Partnerships and all other holders of the Lehman Preferred Stock (if any) to exchange all issued and outstanding shares of Lehman Preferred Stock for shares of capital stock or other equity securities of either Spinco, any Spinco Company or any Subsidiary of Spinco. Spinco agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party arising out of, relating to or resulting from the ownership of any shares of Lehman Preferred Stock by the Lehman Partnerships and all other holders of the Lehman Preferred Stock (if any).

ARTICLE III

THE DISTRIBUTION

Section 3.1. Cooperation Prior to the Distribution. As promptly as practicable after the date hereof and prior to the Distribution Date:

(a) Subject to the provisions of paragraph (b) below, the Company and Spinco shall prepare an Information Statement (which shall set forth appropriate disclosure concerning Spinco and the Spinco Companies, the Spinco Business, the Distribution and certain other matters) and Spinco shall file with the SEC the Form 10 (which shall include or incorporate by reference the Information Statement). The Company and Spinco shall use their respective reasonable efforts to cause the Form 10 to be declared effective under the Exchange Act or, if either the Company or Parent reasonably determines that the Distribution may not be effected without registering the Spinco Common Stock pursuant to the Securities Act, the Company shall use its best efforts to cause the Spinco Common Stock to be registered pursuant to the Securities Act and thereafter effect the Distribution in accordance with the terms of this Agreement, including, without limitation, by preparing and filing on an appropriate form of registration statement under the Securities Act covering the Spinco Common Stock and using its

best efforts to cause such registration statement to be declared effective. Following the effectiveness of such Form 10 (or registration statement, as the case may be), the Company shall mail the Information Statement to the holders of the Company Common Stock.

(b) Before filing with the SEC the Form 10, or the registration statement referred to in Section 3.1(a), as the case may be, or any amendments or supplements thereto, the Company shall furnish to Parent (or Parent's counsel) copies of all such documents proposed to be filed, in order to give Parent (or Parent's counsel) sufficient time to review such documents, and such documents may thereafter be filed subject to any timely and reasonable comments of Parent (or Parent's counsel). On or prior to the Offer Purchase Date, the Company shall (i) deliver to Parent (or Parent's counsel) promptly, following the receipt thereof, copies of all written communications between the Company and the SEC relating to either the Information Statement or the Form 10 (or the registration statement referred to in Section 3.1(a), as the case may be), and (ii) advise Parent (or Parent's counsel) promptly of, and provide Parent (or Parent's counsel) with the opportunity to participate in (to the extent reasonably practicable), all telephonic and other non-written communications between the Company and the SEC relating to either the Information Statement or the Form 10 (or the registration statement referred to in Section 3.1(a), as the case may be). The Company shall respond promptly to any comments from the SEC with respect thereto, after consultation with Parent (or Parent's counsel), and shall take such other actions as shall be reasonably required in order to have the Form 10 declared effective under the Exchange Act, or the registration statement referred to in Section 3.1(a) hereof declared effective under the Securities Act, as the case may be, as soon as reasonably practicable following the date hereof. Before filing with the SEC the Solicitation/Recommendation Statement on Schedule 14D-9 of the Company to be filed by the Company in connection with the Offer, and all amendments or supplements thereto, the

Company shall furnish to Parent (or Parent's counsel) copies of all such documents proposed to be filed, in order to give Parent (or Parent's counsel) sufficient time to review such documents, and such documents may thereafter be filed subject to any timely and reasonable comments of Parent (or Parent's counsel). Following the

date hereof, the Company shall, and shall cause its Affiliates to, provide promptly to Parent, Purchaser and their respective counsel all such information as such persons may reasonably request in connection with the Tender Offer Statement on Schedule 14D-1 of the Purchaser or Parent to be filed in connection with the Offer.

(c) The Company and Spinco shall cooperate in preparing, filing with the SEC and causing to become effective any registration statements or amendments thereto which are appropriate to reflect the establishment of, or amendments to, any employee benefit and other plans contemplated by this Agreement.

(d) The Company and Spinco shall take all such action as may be necessary or appropriate under state securities or "Blue Sky" Laws in connection with the transactions contemplated by this Agreement.

(e) The Company and Spinco shall prepare, and Spinco shall file and seek to make effective, an application to permit listing of the Spinco Common Stock either on the NYSE or any other national securities exchange or national market system as may be selected by Spinco in its sole discretion (to the extent permitted pursuant to the listing requirements of such exchange or national market system).

(f) The Company and Spinco shall prepare and file an application with the FCC (the "FCC Application") requesting the FCC's consent to the transfer of control of any licenses, permits, approvals or other authorizations issued by the FCC to the Company and its Subsidiaries in connection with their telecommunications and space systems business, including those licenses, permits, approvals and authorizations set forth in Section 3.1(f) of the Disclosure Schedule.

(g) In addition to the actions specifically provided for elsewhere in this Agreement and except as otherwise expressly set forth in this Agreement, each of the parties hereto shall use its respective best efforts to take, or cause to be taken, all actions, and, to execute and deliver, or cause to be executed and delivered, such additional documents and instruments, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws and

agreements to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using its best efforts to obtain the consents and approvals, to enter into any amendatory agreements and to make the filings and applications necessary or desirable to have been obtained, entered into or made in order to consummate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing sentence, each of the parties hereto shall use its respective best efforts to ensure that the conditions set forth in Article X hereof are satisfied (insofar as such matters are within the control of such party). Notwithstanding any other provisions set forth in this Agreement (including, without limitation, the provisions of this Section 3.1(g)), neither the Company, nor Spinco nor any of their respective Affiliates shall, without first obtaining the prior written consent of the Parent, take or commit to take any action, in connection with obtaining any consent, waiver or approval or effecting any of the transactions contemplated in connection with the Closing or otherwise, (i) except as otherwise expressly provided in this Agreement, that would result in the payment of any funds (other than normal and usual filing fees) or the incurrence of any liability by the Company or any Retained Subsidiary, (ii) that would result in the divestiture or holding separate of any assets, businesses or operations of the Company or any of the Retained Subsidiaries, (iii) that might materially limit or impair Parent's or the Company's or any Retained Subsidiary's freedom of action with respect to, or its ability to retain or exercise control over, any assets, businesses or operations of the Company or any Retained Subsidiaries (other than any limitations or restrictions expressly set forth in the Merger Agreement, the

Tax Sharing Agreement, the Stockholders Agreement or any other agreement to be entered into pursuant to this Agreement or the Merger Agreement prior to the Offer Purchase Date), or (iv) that might otherwise adversely affect Parent, or, following the Offer Purchase Date, either the Company or any Retained Subsidiary.

Section 3.2. The Distribution.

(a) Subject to the terms and conditions of this Agreement, the Company's Board of Directors (or any duly appointed committee thereof) shall in its reasonable discretion establish the Record Date and the

Distribution Date and any appropriate procedures in connection with the Distribution (subject in each case to the provisions of applicable Law) as soon as reasonably practicable following the date hereof or on such other dates as Parent may reasonably request; provided that (x) the Record Date may not be earlier than the twentieth day following the date on which the Offer is commenced and also may not be earlier than the tenth day following the Distribution Declaration Date and (y) the parties hereto shall use their reasonable efforts to cause the Record Date to be established so as to occur immediately prior to the acceptance for payment by the Purchaser of the shares of Common Stock pursuant to the Offer (provided that in no event shall the Record Date be established so as to occur as of or at any time after the acceptance for payment by the Purchaser of the shares of Common Stock pursuant to the Offer); provided further that if all conditions to the Offer have been satisfied or waived prior to the date on which all of the Distribution Conditions have been satisfied (or waived, to the extent expressly permitted by the provisions of Section 10.1 hereof), then the Purchaser shall be permitted, but not required, to accept for payment at such time the shares of Common Stock pursuant to the Offer notwithstanding the fact that the Distribution Conditions have not been satisfied or waived (provided that prior to such acceptance for payment Purchaser first obtains the consent of the Company, which consent may not be unreasonably withheld) (as further described in clause (a)(iii) below). The parties hereto acknowledge and agree that payment of the Distribution shall be conditioned on (x) the satisfaction (or waiver, to the extent expressly permitted by the provisions of Section 10.1 hereof) of each of the Distribution Conditions on a date which is prior to the fiftieth (50th) day following the Record Date and (y) Parent and Purchaser not having taken any action, on or after the Distribution Declaration Date, to extend or delay the expiration of the Offer to a date which is later than the Record Date. The parties hereto further acknowledge and agree that:

(i) if the Distribution Conditions are satisfied (or waived, to the extent expressly permitted by the provisions of Section 10.1 hereof) prior to the fiftieth (50th) day following the Record Date, the conditions to the Distribution shall be deemed to have been satisfied and, if such

date is on or prior to the Offer Purchase Date, the Record Date shall be deemed to have occurred immediately prior to the time at which the Purchaser has accepted for payment the shares of Company Common Stock pursuant to the Offer and the Distribution shall occur one Business Day thereafter;

(ii) if the Offer Purchase Date has not yet occurred and the Distribution Conditions are not satisfied or waived prior to the fiftieth (50th) day following the Record Date, (A) the Distribution shall not be paid, the declaration of the Distribution shall be null and void, and no holder of Company Common Stock shall have any rights whatsoever to receive any part of the Distribution, and (B) the Company's Board of Directors shall establish a new Record Date in a manner consistent with the provisions of the first sentence of this Section 3.2(a); and

(iii) if the Offer Purchase Date has already occurred and the Distribution Conditions are not expected to be satisfied or waived prior to the fiftieth (50th) day following the Record Date, the parties hereto agree to use their respective best efforts to restructure the Distribution in a manner which shall permit the

holders of Company Common Stock of record immediately prior to the consummation of the Offer to participate in a distribution of shares of Spinco capital stock in order to preserve for such holders the material economic benefits of the Distribution; provided that, in connection with any such restructuring of the Distribution, the parties hereto must first obtain the prior consent (which consent may not be unreasonably withheld of a majority of the remaining Continuing Directors (such term, as defined in Section 8.4 of the Merger Agreement), if any (it being understood and agreed that the consent of the remaining Continuing Directors may be reasonably withheld by such remaining Continuing Directors in the event that counsel to such remaining Continuing Directors advises such persons that, in such counsel's reasonable opinion, any such restructuring of the Distribution would adversely affect in any material respect the holders of Company Common Stock of record immediately prior to the consummation of the Offer

with respect to the income tax or securities law consequences of the Distribution).

(b) Subject to Section 10.1 hereof, following the declaration by the Company's Board of Directors of the Record Date but prior to the Distribution Date, the Company shall deliver to the Agent one or more share certificates representing all of the outstanding shares of Spinco Common Stock (or other Spinco capital stock if necessary in the circumstances set forth in paragraph (a)(iii) above) to be distributed in the Distribution and shall instruct the Agent to distribute on the Distribution Date, (i) one share of Spinco Common Stock (or other Spinco capital stock if necessary in the circumstances set forth in paragraph (a)(iii) above) for each share of Company Common Stock owned to holders of record of Company Common Stock on the Record Date (subject to the provisions of any restricted stock or other benefit plan of the Company) and (ii) one share of Spinco Common Stock (or other Spinco capital stock if necessary in the circumstances set forth in paragraph (a)(iii) above) for each share of Company Common Stock subject to a Cancelled Company Option to the respective holders of such Cancelled Company Options (provided that the Agent shall not distribute the shares referred to in the preceding clause (ii) until promptly after the effective time of the Merger). Spinco agrees to provide all share certificates that the Agent shall require in order to effect the Distribution. All shares of Spinco Common Stock issued in the Distribution shall be duly authorized, validly issued, fully paid, non-assessable and free of preemptive rights.

(c) Each of the parties hereto agrees that, immediately upon consummation of the Distribution, the Company shall not hold or beneficially own directly or indirectly any shares of Spinco Common Stock.

Section 3.3. Termination of Certain Claims. Following the Distribution Date, Spinco shall have no claims against the Company, any Retained Subsidiary or any Affiliate of either based on any breach by the Company, and Retained Subsidiary or any of their respective Affiliates of any obligations under this Agreement that occurred on or prior to the Offer Purchase Date, all of such claims being hereby irrevocably waived and terminated as of the Offer Purchase Date; provided that the fore-

going shall not limit the Company's liability for any breach by the Company or any Retained Subsidiary of any of their respective obligations under this Agreement that occurs following the Offer Purchase Date.

ARTICLE IV

INTERCOMPANY BUSINESS RELATIONSHIPS

Section 4.1. Settlement of Intercompany Accounts.

(a) Except as expressly provided for in this Article IV, all intercompany and interdivisional receivables, payables, loans, cash overdrafts and other accounts in existence as of the Distribution Date between Spinco and

the Spinco Companies, on the one hand, and the Company and the Retained Subsidiaries, on the other hand, under the Company's cash management program or otherwise (other than accounts, if any, which (x) are owed to or by any Spinco Company which is not an Affiliate of Spinco or the Company, (y) arose pursuant to the express terms and conditions of any Existing Intercompany Agreement and (z) are not yet payable pursuant to the provisions of such Intercompany Agreement), shall be settled by payment in full of such amounts effective immediately prior to the Restructuring. Following the date hereof, (i) no such intercompany transactions shall be entered into except (x) pursuant to the express terms and conditions of any Existing Intercompany Agreement and (y) in the ordinary course of business and in a manner consistent with past practice, and (ii) except with the prior written consent of the Parent, neither the Company, any Retained Subsidiary, Spinco or any Spinco Company shall enter into any Intercompany Agreement following the date hereof and prior to the Offer Purchase Date, except for any Intercompany Agreement which (x) is on terms and conditions entered into in the ordinary course of business and in a manner consistent with past practices and (y) is not otherwise significantly adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Company, any Retained Subsidiary or the Retained Business or (ii) the ability of the Company or any of the Retained Subsidiaries to perform their respective obligations under this

Agreement, the Tax Sharing Agreement or the Stockholders Agreement.

(b) Following the Distribution Date, each of the Company and Spinco shall give the other party and any independent auditors of such other party full access at all reasonable times to the books and records of the Company and Spinco (and each of their respective Subsidiaries) relating to periods prior to the Distribution Date for purposes of verifying the amounts to be paid immediately prior to the Restructuring pursuant to Section 4.1(a) above and for resolving any disputes related thereto. The amounts settled shall, to the extent applicable, be calculated in accordance with Adjusted GAAP.

(c) Except as otherwise expressly provided in Section 2.1(a) hereof, the Company and Spinco covenant and agree that no Capital Contributions may be made following the date hereof and prior to the Offer Purchase Date; provided that the Company may make a Capital Contribution at any time after (i) the Company notifies Parent in writing of the details of such Capital Contribution, and (ii) the parties hereto agree to reduce the Spinco Cash Amount otherwise payable by Parent as a result of such Capital Contribution (which shall include interest thereon (calculated at a compounded rate of interest equal to the commercial paper rate available to the Company as of the date hereof) following the date of such Capital Contribution) and (iii) the parties agree at such time as to the appropriate amount of such reduction in the event of a Capital Contribution which is in a form other than cash.

Section 4.2. Settlements for Cash Collections and Disbursements After the Distribution Date.

(a) For each calendar month commencing with the month in which the Distribution Date occurs and, unless sooner terminated by agreement of the parties, continuing for a period of two (2) years thereafter, (i) within 10 Business Days of the end of the month in question, the Company shall prepare, and Spinco shall fully cooperate in preparing, a statement of transactions which shall reflect a complete analysis of any cash collections and cash disbursements by the Company and the Retained Subsidiaries on behalf of Spinco and the Spinco Companies (including those relating to the Spinco Business) during

the relevant month and (ii) within 10 Business Days of the end of the month in question, Spinco shall prepare, and the Company shall fully cooperate in preparing, a statement of transactions which shall reflect a complete analysis of any cash collections and cash disbursements by Spinco and the Spinco Companies on behalf of the Company and the Retained Subsidiaries during the relevant month (including those relating to the Retained Business); provided in each case that, with respect to the first such monthly period such statement shall not reflect any cash collections or disbursements occurring prior to the Distribution Date.

(b) Not later than five Business Days following delivery of each

such monthly statement, Spinco shall pay to the Company or the Company shall pay to Spinco, as the case may be, in cash an amount necessary to eliminate the account balance as reflected in each such statement. Payments made pursuant to this Section 4.2 shall not, for any purposes of this Agreement, constitute Indemnifiable Losses or be set off against any other payments to be made, Liabilities asserted or claims made pursuant to this Agreement, including but not limited to Article V hereof, unless the Company and Spinco otherwise agree in writing.

(c) Following the end of the two-year period referred to in Section 4.2(a) above (or such earlier period as the parties hereto may agree), (i) the Company shall promptly turn over to Spinco all cash and other similar amounts received by the Company and the Retained Subsidiaries which properly constitute Assets attributable to the Spinco Business and (ii) Spinco shall promptly turn over to the Company all cash and other similar amounts received by Spinco and the Spinco Companies which properly constitute Assets attributable to the Retained Business.

Section 4.3. Transition Services. Following the Distribution Date and ending on the later of (i) the sixth month anniversary of the Distribution Date and (ii) December 31, 1996 (such period, the "Transition Services Period"), the Company shall provide to Spinco, at such times and in such amounts as may be reasonably requested by Spinco, those data processing, procurement support, travel support, communications, tax, accounting, legal, insurance, employee benefits and similar services which

have been customarily provided by the Company and the Retained Subsidiaries to the Spinco Business during the twelve months prior to the date hereof (collectively, the "Transition Services"). The Transition Services shall be provided at a cost calculated in accordance with the cost the Company currently assesses to the Spinco Companies and the Spinco Business for the same or similar services. Following the end of the calendar month in which any such Transition Services are performed, the Company shall provide to Spinco an invoice (the "Transition Services Invoice") setting forth in summary detail the Transition Services which were provided during such calendar month and the appropriate cost thereof. Spinco shall pay to the Company in cash in immediately available funds, in a reasonably prompt manner following the delivery by the Company of a Transition Services Invoice, the amounts due with respect to the Transition Services reflected on such Transition Services Invoice. The Transition Services Period may be extended for up to two six-month periods in the event that Spinco notifies the Company at least 30 days prior to the expiration of the then-current Transition Services Period of its intention to so extend the Transition Services Period.

Section 4.4. Termination of Intercompany Arrangements. Each of the parties hereto agrees that, except as otherwise expressly provided in this Article IV, all Existing Intercompany Agreements in effect immediately prior to the Distribution Date shall not be deemed altered, amended or terminated as a result of this Agreement or the consummation of the transactions contemplated hereby and shall otherwise remain in effect immediately after giving effect to the Restructuring (provided that nothing contained in this Agreement shall be deemed to limit any party's ability to terminate any such Intercompany Agreement following the Distribution Date in accordance with the provisions of such Intercompany Agreement).

ARTICLE V

SURVIVAL AND INDEMNIFICATION

Section 5.1. Survival of Agreements. The obligations under this Article V of each of Spinco and the Spinco Companies, on the one hand, and the Company and the Retained Subsidiaries, on the other hand, shall survive the sale or other transfer by it of any Assets or businesses or the assignment by it of any Liabilities. To the extent that Spinco or any of the Spinco Companies transfers directly or indirectly to any other person all or substantially all of the Spinco Assets or the Spinco Business, Spinco will cause the transferee of such SpincoAssets or Spinco Business to assume specifically its obligations under this Agreement with respect thereto and will cause such transferee to

fulfill its obligations related to such Spinco Liabilities. Such assumption will not relieve Spinco of its obligations in respect thereof. To the extent that the Company or any of the Retained Subsidiaries transfers directly or indirectly to any other person all or substantially all of the Retained Assets or the Retained Business the Company will cause the transferee of such Retained Assets or Retained Business to assume specifically its obligations under this Agreement with respect thereto and will cause such transferee to fulfill its obligations related to such Retained Liabilities. Such assumption will not relieve the Company of its obligations in respect thereof. Spinco, on the one hand, and the Company, on the other hand, agree that such transferee may exercise all of Spinco's or the Company's rights hereunder, as the case may be, with respect to such Assets or businesses.

Section 5.2. Spinco's Agreement to Indemnify.

(a) In addition to any indemnification required by Articles II, VI and VIII hereof, subject to the terms and conditions set forth in this Agreement, from and after the Distribution Date, Spinco shall indemnify, defend and hold harmless the Company, each Retained Subsidiary, the Purchaser and Parent and each of their respective directors, officers, employees, representatives, advisors, agents and Affiliates (collectively, the "Parent Indemnified Parties") from, against and in respect of any and all Indemnifiable Losses of the Parent Indemnified Parties arising out of, relating to or re-

sulting from, directly or indirectly, (i) any misrepresentation or breach of warranty made by or on behalf of Spinco or, on or prior to the Offer Purchase Date, made by or on behalf of the Company, which misrepresentation or breach of warranty is contained in this Agreement or the Stockholders Agreement, (ii) any breach of any agreement or covenant under this Agreement or the Stockholders Agreement on the part of Spinco or, on or prior to the Offer Purchase Date, on the part of the Company, (iii) any and all Spinco Liabilities, (iv) the conduct of the Spinco Business or any part thereof on, prior to or following the Distribution Date, (v) any transfer of Spinco Assets to, or assumption of Spinco Liabilities by, Spinco or any Spinco Company in accordance with this Agreement or otherwise in connection with the Restructuring (other than any costs and expenses which have been expressly assumed by the Company pursuant to the provisions of this Agreement), (vi) any Indemnifiable Loss resulting from any claims that any statements or omissions relating to or describing, directly or indirectly, Spinco, any Spinco Company, the Spinco Business, any Spinco Asset or any Spinco Liability, and which occur on or prior to the Offer Purchase Date (A) in the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 hereof (in each case other than with respect to any statements or omissions made in reliance upon and in conformity with information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors and other than any statements or omissions which relate solely to the Merger Agreement and this Agreement and the transactions contemplated thereby and hereby), or (B) in any document(s) filed with the SEC by Spinco or any Spinco Company after the date hereof pursuant to either the Securities Act or the Exchange Act (in each case other than with respect to any statements or omissions which relate solely to the Merger Agreement and this Agreement and the transactions contemplated thereby and hereby), which, in the case of either clause (A) or (B) above, are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (vii) the failure of the Company or Spinco to obtain any Final Order or other consent or approval of the FCC with respect to any of the transactions contemplated pursuant to either this Agreement or the Merger Agreement and (viii)

any Excluded Indemnifiable Losses (as defined below). Notwithstanding the foregoing, Spinco's indemnification obligations pursuant to this Section 5.2 shall not in any event include any Indemnifiable Losses arising out of or relating to Transaction Suits (as defined in Section 6.5), except to the extent of any Indemnifiable Losses (such Indemnifiable Losses, the "Excluded Indemnifiable Losses") which the Company is able to demonstrate resulted directly from (a) any statement or omission on the part of Spinco or any of its Affiliates in the documents referred to in Section 5.2(a)(vi) above or (b) any business activities, Assets or Liabilities of Spinco, any of the Spinco Companies or the Spinco Business.

(b) Notwithstanding Spinco's obligations to indemnify Parent Indemnified Parties pursuant to Section 5.2(a) hereof, Spinco shall be obligated to indemnify the Parent Indemnified Parties only for those Indemnifiable Losses under clauses (i), (ii) or (vi) of Section 5.2(a) hereof as to which the Parent Indemnified Parties have given Spinco written notice thereof on or prior to the third anniversary of the Distribution Date (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (iii), (iv), (v), (vii) and (viii) of Section 5.2(a) hereof); provided further that claims with respect to breaches of covenants and agreements set forth in this Agreement or the Stockholders Agreement shall survive for the applicable statute of limitations period. Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Parent Indemnified Party has given notice to Spinco pursuant to Section 5.4 hereof of any matter which would be the basis for a claim of indemnification by such Parent Indemnified Party pursuant to Section 5.2(a), such Parent Indemnified Party shall have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

Section 5.3. The Company's Agreement to Indemnify.

(a) In addition to any indemnification required by Articles II, VI and VIII hereof, subject to the terms and conditions set forth in this Agreement, from and after the Distribution Date, the Company shall indemnify, defend and hold harmless Spinco, each Spinco

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

be entered into pursuant to this Agreement, the Company shall not be required to indemnify, defend and hold harmless any Spinco Indemnified Party from and against any Indemnifiable Loss resulting from any claims that the statements included in the Information Statement, the Form 10 or in any registration statement filed pursuant to Section 3.1 or Section 3.3 hereof (in each case other than statements or omissions made in reliance upon and in conformity with

information furnished in writing by Parent, the Purchaser or their Affiliates, representatives or advisors expressly for use therein) are false or misleading with respect to any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Notwithstanding the Company's obligations to indemnify the Spinco Indemnified Parties pursuant to Section 5.3(a) hereof, the Company shall be obligated to indemnify the Spinco Indemnified Parties only for those Indemnifiable Losses under Sections 5.3(a)(i) and 5.3(a)(iv) hereof as to which the Spinco Indemnified Parties have given the Company written notice thereof on or prior to the expiration of any applicable statute of limitations period (it being understood that there shall be no corresponding time limitation with respect to any Indemnifiable Losses arising under clauses (ii) and (iii) of Section 5.3(a) hereof). Notwithstanding the foregoing, if on or before the expiration of such indemnification period any Spinco Indemnified Party has given notice to the Company pursuant to Section 5.4 hereof of any matter which would be the basis for a claim of indemnification by such Spinco Indemnified Party pursuant to Section 5.3(a), such Spinco Indemnified Party shall have the right after the expiration of such indemnification period to assert or to continue to assert such claim and to be indemnified with respect thereto.

Section 5.4. Procedure for Indemnification. All claims for indemnification under this Article V shall be asserted and resolved as follows:

(a) In the event that any claim or demand, or other circumstance or state of facts which could give rise to any claim or demand, for which an Indemnifying Party may be liable to an Indemnified Party hereunder

is asserted against or sought to be collected by a third party (an "Asserted Liability"), the Indemnified Party shall promptly notify the Indemnifying Party in writing of such Asserted Liability, specifying the nature of such Asserted Liability and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim or demand) (the "Claim Notice"); provided that no delay on the part of the Indemnified Party in giving any such Claim Notice shall relieve the Indemnifying Party of any indemnification obligation hereunder unless (and then solely to the extent that) the Indemnifying Party is materially prejudiced by such delay. The Indemnifying Party shall have 20 days (or less if the nature of the Asserted Liability requires) from its receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Party whether or not the Indemnifying Party desires, at the Indemnifying Party's sole cost and expense and by counsel of its own choosing, which shall be reasonably satisfactory to the Indemnified Party, to defend against such Asserted Liability; provided that if, under applicable standards of professional conduct a conflict on any significant issue between the Indemnifying Party and any Indemnified Party exists in respect of such Asserted Liability, then the Indemnifying Party shall reimburse the Indemnified Party for the reasonable fees and expenses of one additional counsel to be retained in order to resolve such conflict, promptly upon presentation by the Indemnified Party of invoices or other documentation evidencing such amounts to be reimbursed. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnifying Party shall control the investigation, defense and settlement thereof; provided that (i) the Indemnifying Party shall use its reasonable efforts to defend and protect the interests of the Indemnified Party with respect to such Asserted Liability, (ii) the Indemnified Party, prior to or during the period in which the Indemnifying Party assumes control of such matter, may take such reasonable actions as the Indemnified Party deems necessary to preserve any and all rights with respect to such matter, without such actions being construed as a waiver of the Indemnified Party's rights to defense and indemnification pursuant to this Agreement, and (iii) the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, consent to any settlement which (A) imposes any Liabilities on the Indemnified Party (other than those Liabili-

ties which the Indemnifying Party agrees to promptly pay or discharge), and (B) with respect to any non-monetary provision of such settlement, would be likely, in the Indemnified Party's reasonable judgment, to have an adverse effect on the business operations, assets, properties or prospects of Parent, the Company or the Retained Business (in the case of a Parent Indemnified Party), Spinco or

the Spinco Business (in the case of a Spinco Indemnified Party), or such Indemnified Party. Notwithstanding the foregoing, the Indemnified Party shall have the right to control, pay or settle any Asserted Liability which the Indemnifying Party shall have undertaken to defend so long as the Indemnified Party shall also waive any right to indemnification therefor by the Indemnifying Party. If the Indemnifying Party undertakes to defend against such Asserted Liability, the Indemnified Party shall cooperate fully with the Indemnifying Party and its counsel in the investigation, defense and settlement thereof. If the Indemnified Party desires to participate in any such defense it may do so at its sole cost and expense. If the Indemnifying Party does not undertake within the Notice Period to defend against such Asserted Liability, then the Indemnifying Party shall have the right to participate in any such defense at its sole cost and expense, but the Indemnified Party shall control the investigation, defense and settlement thereof (provided that the Indemnified Party may not settle any such Asserted Liability without obtaining the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld by the Indemnifying Party; provided that in the event that the Indemnifying Party is in material breach at such time of the provisions of this Section 5.4, then the Indemnified Party shall not be obligated to obtain such prior written consent of the Indemnifying Party) at the reasonable cost and expense of the Indemnifying Party (which shall be paid by the Indemnifying Party promptly upon presentation by the Indemnified Party of invoices or other documentation evidencing the amounts to be indemnified). The Indemnified Party and the Indemnifying Party agree to make available to each other, their counsel and other representatives, all information and documents available to them which relate to such claim or demand (subject to the confidentiality provisions of Section 7.5 hereof); provided that no party hereto shall be obligated to disclose any information which would result in the waiver of any attorney-client, attorney work product or other

similar privileges, if the disclosure of such information would be materially prejudicial to such disclosing party. The Indemnified Party and the Indemnifying Party and the Company and its employees also agree to render to each other such assistance and cooperation as may reasonably be required to ensure the proper and adequate defense of such claim or demand.

(b) In the event that an Indemnified Party should have a claim against the Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party. The Indemnifying Party shall have 20 days from the date such Claim Notice is delivered during which to notify the Indemnified Party in writing of any good faith objections it has to the Indemnified Party's Claim Notice or claims for indemnification, setting forth in reasonable detail each of the Indemnifying Party's objections thereto. If the Indemnifying Party does not deliver such written notice of objection within such 20-day period, the Indemnifying Party shall be deemed to have accepted responsibility for the prompt payment of the Indemnified Party's claims for indemnification, and shall have no further right to contest the validity of such indemnification claims. If the Indemnifying Party does deliver such written notice of objection within such 20-day period, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve any such dispute within 30 days of the delivery by the Indemnifying Party of such written notice of objection. If the Indemnifying Party and the Indemnified Party are unable to resolve any such dispute within such 30-day period, then either the Indemnifying Party or the Indemnified Party shall be free to pursue any remedies which may be available to such party under applicable Law.

Section 5.5. Miscellaneous Indemnification Provisions.

(a) The Indemnifying Party agrees to indemnify any successors of the Indemnified Party to the same extent and in the same manner and on the same terms and conditions as the Indemnified Party is indemnified by the Indemnifying Party under this Article V. In the event that any claim for indemnification under either

Articles II, V, VI or VIII hereof meets the criteria of more than one of the types of claims for which indemnification is provided for under such provisions, the Indemnified Party, in its sole discretion, shall classify such claim and

only be required to include such claim, and the recoveries for indemnification therefrom, in one of such categories. No investigation made by any party hereto shall affect any representation or warranty of the other party's hereto contained in this Agreement or in the Schedules attached hereto or any certificate, document or other instrument delivered in connection herewith. The consummation by Parent of the Offer pursuant to the terms and conditions of the Merger Agreement, either with or without knowledge of a breach of warranty or covenant or misrepresentation by any party hereto, shall not constitute a waiver of any claim by any Parent Indemnified Party for Indemnifiable Losses with respect to such breach or misrepresentation. In determining the amount of Indemnifiable Losses to which a Parent Indemnified Party or Spinco Indemnified Party (as the case may be) is entitled to indemnification hereunder, an arbitration panel, court or tribunal may take into consideration, where appropriate and without duplication, any diminution in the aggregate value of the Retained Business or the Spinco Business (as the case may be). Notwithstanding anything to the contrary contained in this Agreement, the assignment of any party's rights hereunder to any other person or entity shall not limit, affect or prejudice the ability of the assigning party to continue to enforce any rights of indemnification hereunder or other rights hereunder in accordance with the terms and conditions of this Agreement.

(b) In determining the amount of any indemnity payable under this Article V, such amount shall be reduced by (x) any related tax benefits if and when actually realized or received (but only after taking into account any tax benefits (including, without limitation, any net operating losses or other deductions) to which the Indemnified Party would be entitled without regard to such item), except to the extent such recovery has already been taken into account in determining the amount of any indemnity payable under Articles II, V, VI or VIII hereof, and (y) any insurance recovery if and when actually realized or received, in each case in respect of such Asserted Liability. Any such recovery shall be promptly repaid by the Indemnified Party to the Indemni-

fying Party following the time at which such recovery is realized or received pursuant to the previous sentence, minus all reasonably allocable costs, charges and expenses incurred by the Indemnified Party in obtaining such recovery. Notwithstanding the foregoing, if (x) the amount of Indemnifiable Losses for which the Indemnifying Party is obligated to indemnify the Indemnified Party is reduced by any tax benefit or insurance recovery in accordance with the provisions of the previous sentence, and (y) the Indemnified Party subsequently is required to repay the amount of any such tax benefit or insurance recovery or such tax benefit or insurance recovery is disallowed, then the obligation of the Indemnifying Party to indemnify with respect to such amounts shall be reinstated immediately and such amounts shall be paid promptly to the Indemnified Party in accordance with the provisions of this Agreement.

(c) In the event that a dispute between any Indemnifying Party and any Indemnified Party concerning the existence of a right or obligation to indemnity under this Agreement is determined by any arbitration panel or any court or tribunal, the reasonable fees and expenses of the attorneys for the party which is principally prevailing in such action shall be paid by the party which is not principally prevailing in such action.

(d) All amounts owing under this Article V shall bear interest at a fluctuating rate of interest equal to the rate of interest from time to time announced by Citibank, N.A. in New York, New York as its prime lending rate, computed from the time such Damage, cost or expense was incurred or suffered to the date of payment therefor.

(e) The remedies provided by this Article V shall be the parties' sole and exclusive remedies for the recovery of any Indemnifiable Losses resulting, from or arising out of or related to misrepresentations, breaches of warranties, and non-fulfillment of obligations under this Agreement, except those arising from or arising out of or related to fraud; provided that the provisions of this Section 5.5(e) shall not limit the ability of any party to seek injunctive or similar relief pursuant to Section 11.11 hereof.

(f) The parties hereto agree that, notwithstanding any other provision in this Agreement to the contrary, in the event of any breach of the representation and warranty set forth in Section 6.1(c)(i) hereof, in

addition to the indemnities provided for in this Article V, Spinco shall either (a) secure the prompt release of the Company, the Retained Companies, the Retained Business and any affected Parent Indemnified Party from all obligations and Liabilities relating to those Spinco Liabilities or Spinco Indebtedness for which the Company, the Retained Companies, the Retained Business or any affected Parent Indemnified Party is or has become liable, directly or indirectly, as borrower, surety, guarantor or otherwise (or with respect to which any of the Retained Assets is or has become bound by or subject to) or (b) promptly prepay, redeem, purchase or defease (pursuant to a trust arrangement reasonably acceptable to Parent) in full all such Spinco Liabilities or Spinco Indebtedness. Spinco shall take or cause to be taken all actions, execute such agreements, documents or instruments, and do or cause to be done all things, necessary, proper or advisable under the terms of the agreements governing the Spinco Liability or Spinco Indebtedness in question and under the provisions of applicable Law, or as Parent may otherwise reasonably request, in connection with the fulfillment of Spinco's obligations under this Section 5.5(f).

Section 5.6. Pending Litigation. Following the Distribution Date, (a) Spinco shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the Spinco Business, the Spinco Assets or the Spinco Liabilities (each, a "Spinco Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of the Company, and (b) the Company shall have exclusive authority and control over the investigation, prosecution, defense and appeal of all pending Actions relating primarily to the Retained Business, the Retained Assets or the Retained Liabilities (each, a "Retained Action"), and may settle or compromise, or consent to the entry of any judgment with respect to, any such Action without the consent of Spinco; provided that if both the Company and Spinco are named as parties to any Spinco Action or Retained Action, neither the Company nor Spinco (nor any of their respective Subsidiaries) may settle or

compromise, or consent to the entry of any judgment with respect to, any such Action without the prior written consent of the other party (which consent may not be unreasonably withheld) if such settlement, compromise or consent to such judgment includes any form of injunctive relief binding upon such other party. Spinco shall indemnify, defend and hold harmless each of the Parent Indemnified Parties, and the Company shall indemnify and hold harmless each of the Spinco Indemnified Parties, in the manner provided in this Article V, from and against all Indemnifiable Losses arising out of or resulting from each such Action over which such indemnifying party has authority and control pursuant to this Section 5.6.

Section 5.7. Construction of Agreements. Notwithstanding any other provision in this Agreement to the contrary, in the event and to the extent that there shall be a conflict between the provisions of this Article V and the provisions of any other part of this Agreement or any exhibit or schedule hereto, the provisions of this Article V shall control, and in the event and to the extent that there shall be a conflict between the provisions of this Agreement (including, without limitation, the provisions of this Article V) and the provisions of the Tax Sharing Agreement, the provisions of the Tax Sharing Agreement shall control.

ARTICLE VI

CERTAIN ADDITIONAL MATTERS

Section 6.1. Representations or Warranties; Disclaimers.

(a) It is the explicit intent of each party hereto that no party to this Agreement or to the Merger Agreement is making any representation or warranty whatsoever, express or implied, in this Agreement, the Merger Agreement, the Tax Sharing Agreement or the Stockholders Agreement or in any other agreement contemplated hereby or thereby, except those representations and warranties expressly set forth in this Agreement. Each of the parties hereto agrees, to the fullest extent permitted by Law, that none of them nor any of their Affiliates, agents or representatives shall have any liability or responsibility whatsoever to any such other

party

hereto or such other party's Affiliates, agents or representatives on any basis (including, without limitation, in contract or tort, under federal or state securities laws or otherwise) based upon any information provided or made available, or statements made, to any such other party or such other party's Affiliates, agents or representatives (or any omissions therefrom), including, without limitation, in respect of the specific representations and warranties set forth in this Agreement and the Merger Agreement and the covenants and agreements set forth in the Merger Agreement, except (i) as and only to the extent expressly set forth in the indemnification provisions of Article V hereof and as otherwise expressly set forth herein (subject to the limitations and restrictions contained herein), and (ii) with respect to breaches of the covenants and agreements set forth in this Agreement.

(b) Without limiting the generality of the foregoing, it is understood and agreed (a) that neither Parent, the Company nor any of the Retained Subsidiaries is, in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting in any way as to the value or freedom from encumbrance of, or any other matter concerning, any Spinco Assets, (b) that the Spinco Assets are being transferred "as is, where is" and (c) that, subject to the obligations of the Company set forth in Sections 2.1(b) and 6.2 hereof, Spinco shall bear the risk that any conveyances of the Spinco Assets might be insufficient or that Spinco's or any of the Spinco Company's title to any Retained Assets shall be other than good and marketable and free from encumbrances. Similarly, it is understood and agreed that neither Parent, the Company nor any of the Retained Subsidiaries is, in this Agreement or in any other agreement or document contemplated by this Agreement, representing or warranting to Spinco or any Spinco Indemnified Party in any way that the obtaining of the consents and approvals, the execution and delivery of any amendatory agreements and the making of the filings and applications contemplated by this Agreement shall satisfy the provisions of any or all applicable agreements or the requirements of all applicable Laws or judgments.

(c) Spinco represents and warrants to the Company that (i) except as expressly provided in the

Globalstar Bank Guarantee (as amended pursuant to the provisions of Section 2.5 hereof), neither the Company nor any of the Retained Subsidiaries will, after giving effect to the Restructuring, be liable directly or indirectly, as borrower, surety, guarantor, indemnitor or otherwise, with respect to (and that none of the Retained Assets shall be bound by or subject to) any of the Spinco Liabilities or any Spinco Indebtedness, (ii) there are no Intercompany Agreements in effect as of the date hereof, which, either individually or in the aggregate, are materially adverse to (i) the business, properties, operations, prospects, results of operations or condition (financial or otherwise) of the Retained Business or (ii) the ability of the Company or any of the Retained Subsidiaries to perform their respective obligations under this Agreement, the Tax Sharing Agreement or the Stockholders Agreement, (iii) there are no Spinco Assets which have been used within the Retained Business within one year prior to the date hereof, other than those Spinco Assets which are listed on Section 6.2(c) of the Disclosure Schedule, (iv) except as set forth in Section 6.1(c)(iv) of the Disclosure Schedule, neither Spinco nor any Spinco Company shall, immediately after giving effect to the Restructuring and the Distribution, own, hold or lease, in whole or in part, any of the assets, properties, licenses and rights which are reasonably necessary to carry on the Retained Business as presently conducted, and (v) prior to, on or shortly after the Distribution Date, GTL or Globalstar (as the case may be) will issue to the Company the Guarantee Warrants described in the Globalstar Warrant Memorandum and the term sheet set forth on Exhibit A-1 attached hereto, which warrants will be on the terms and conditions described in the Globalstar Warrant Memorandum and shall otherwise be on such terms and conditions as are customary to transactions of a similar nature.

Section 6.2. Further Assurances; Subsequent Transfers.

(a) To the extent that any of the transfers, distributions and deliveries required to be made pursuant to Article II shall not have been so consummated prior to the Distribution Date, the parties shall cooperate and use their best efforts to effect such consummation as promptly thereafter as reasonably practicable. Each of the parties hereto will execute and deliver such

further instruments of transfer and distribution and will take such other actions as any party hereto may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof. Without limiting the generality of the foregoing, at any time and from time to time after the Distribution Date, at the request of Spinco or any of its Subsidiaries, each party hereto will, and will cause each of its Subsidiaries to, execute and deliver such other instruments of transfer and distribution, and take such action as any party hereto may reasonably request in order to more effectively transfer, convey and assign to such requesting party or to the Subsidiaries of such requesting party and to confirm the right, title or interest held by such requesting party or any of the Subsidiaries of such requesting party, in the Assets to be transferred to such requesting party (or its Subsidiaries) pursuant to this Agreement, to put such requesting party and its Subsidiaries in actual possession and operating control thereof and to permit such requesting party and its Subsidiaries to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained) and to properly assume and discharge the related Liabilities.

(b) Each of the parties hereto agrees to use its respective best efforts, at the Company's reasonable expense, to obtain any consents required to transfer and assign to (i) Spinco all agreements, leases, licenses and other rights of any nature whatsoever relating to the Spinco Assets, and (ii) the Company all agreements, leases, licenses and other rights of any nature whatsoever relating to the Retained Assets. In the event and to the extent that any party hereto or any of its Subsidiaries is unable to obtain any such required consents, (i) such party (or any Subsidiary that is a party to such agreements, leases, licenses and other rights, as the case may be) shall continue to be bound thereby (such person, the "Record Holder") and (ii) the party to which such Asset would otherwise be transferred pursuant to this Agreement (the "Beneficial Holder") shall pay, perform and discharge fully all the obligations of the Record Holder thereunder from and after the Distribution Date and indemnify such Record Holder for all Indemnifiable Losses arising out of such performance by

such Record Holder. The Record Holder shall, without further consideration therefor, pay, assign and remit to the Beneficial Holder promptly all monies, rights and other consideration received in respect of such performance. The Record Holder shall exercise or exploit its rights and options under all such agreements, leases, licenses and other rights and commitments referred to in this Section 6.2(b) only as reasonably directed by the Beneficial Holder and at the Beneficial Holder's expense. If and when any such consent shall be obtained or such agreement, lease, license or other right shall otherwise become assignable, the Record Holder shall promptly assign all its rights and obligations thereunder to the Beneficial Holder without payment of further consideration and the Beneficial Holder shall, without the payment of any further consideration therefor, assume such rights and obligations.

(c) In the event that, subsequent to the Distribution Date, the Company or any of the Retained Subsidiaries shall either (i) receive written notice from Spinco or any of the Spinco Companies that certain specified Assets of the Company or any of the Retained Subsidiaries which properly constitute Spinco Assets were not transferred to it on or prior to the Distribution Date or (ii) determine that certain Assets of the Company or any of the Retained Subsidiaries which constitute Spinco Assets were not transferred to Spinco or any of the Spinco Companies on or prior to the Distribution Date, then as promptly as practicable thereafter, the Company

shall, and shall cause its Subsidiaries to, take all steps reasonably necessary to transfer and deliver any and all of such Assets to Spinco or its Subsidiaries at the recipient's reasonable expense. In the event that, subsequent to the Distribution Date, Spinco or any of the Spinco Companies shall either (i) receive written notice from the Company or any of the Retained Subsidiaries that certain specified Assets were transferred to Spinco or its Subsidiaries which properly constitute Retained Assets, or (ii) determine that certain Assets of Spinco or the Spinco Companies which constitute Retained Assets were transferred to Spinco or the Spinco Companies, then as promptly as practicable thereafter, Spinco shall, and shall cause the Spinco Companies to, take all steps reasonably necessary to transfer and deliver any and all of such Assets to the Company or the Company's Subsid-

iaries at the recipient's reasonable expense without the payment by the Company of any consideration therefor.

Section 6.3. The Spinco Board. Spinco and the Company shall take all actions which may be required to elect or otherwise appoint, on or prior to the Distribution Date, those individuals that the Board of Directors of the Company (as in effect prior to the consummation of the Offer) may designate as directors of Spinco.

Section 6.4. Use of Names. Following the Distribution Date, Spinco and each of the Spinco Companies shall have the sole and exclusive ownership of and right to use, as between the Company and each of the Retained Subsidiaries, on the one hand, and Spinco and each of the Spinco Companies, on the other hand, the "Loral" name and each of the names used (or formerly used) in the Spinco Business (the "Spinco Names"), and each of the trade marks, trade names, service marks and other proprietary rights related to such Spinco Names as set forth on Section 6.4 of the Disclosure Schedule (the "Spinco Proprietary Name Rights"); provided that the Company, the Retained Business and each of the Retained Subsidiaries is hereby granted a perpetual, fully paid-up, worldwide, non-exclusive license with respect to such Spinco Names and Spinco Proprietary Name Rights to the extent necessary to enable the Company, the Retained Business and each of the Retained Subsidiaries to continue to use such rights in their respective businesses with respect to (x) those governmental Contracts of the Retained Business (and any programs thereunder) in existence as of the Offer Purchase Date or those governmental programs for which a bid has been submitted prior to the Offer Purchase Date, and (y) those products and services of the type manufactured or sold by them on the date hereof or at any time during the last five years or under current development by them as of the date hereof. Following the Distribution Date, the Company and each of the Retained Subsidiaries shall have the sole and exclusive ownership of and right to use, as between Spinco and each of the Spinco Companies, on the one hand, and the Company and each of the Retained Subsidiaries, on the other hand, all names used (or formerly used) by the Company or any of the Retained Subsidiaries as of such date other than the Spinco Names (the "Company Names"), and all other trade marks, trade names, service marks and other proprietary rights owned or used by the Company or any of the Retai-

ned Subsidiaries as of such date other than the Spinco Proprietary Name Rights (the "Company Proprietary Name Rights"). Notwithstanding the foregoing, following the Distribution Date, (x) the Company shall, and shall cause its Subsidiaries and other Affiliates to, take all action reasonably necessary to cease using, and change as soon as commercially practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the Spinco Names or any of the Spinco Proprietary Name Rights, and (y) Spinco shall, and shall cause its Subsidiaries and other Affiliates to, take all action reasonably necessary to cease using, and change as soon as commercially practicable (including by amending any charter documents), any corporate or other names which are the same as or confusingly similar to any of the Company Names or any of the Company Proprietary Name Rights.

Section 6.5. Litigation Relating to Transaction.

(a) Following the date hereof, in the event that any Action is

commenced against the Company or any of its Subsidiaries challenging either the Merger Agreement, this Agreement, the Tax Sharing Agreement or the Stockholders Agreement or any of the transactions contemplated therein or herein (any such Action, a "Transaction Suit"), then the Company shall provide promptly to Parent copies of all material pleadings sent or received after the date hereof by the Company or its counsel with respect to any such Transaction Suit(s).

(b) Parent shall be entitled to participate in the defense of each Transaction Suit and to employ counsel at its own expense to assist in the handling of each such Transaction Suit. The Company shall not settle or compromise any Transaction Suit or consent to the entry of any judgment with respect to any such Transaction Suit, without the prior written consent of Parent (which consent shall not be unreasonably withheld).

(c) Following the Distribution Date, Spinco shall be entitled to participate in the defense of each Transaction Suit to which it or any of its Affiliates is a party, and to employ counsel at its own expense to assist in the handling of each such Transaction Suit.

Following the Distribution Date, the Company shall not settle or compromise any Transaction Suit to which Spinco or any of its Affiliates is a party or consent to the entry of any judgment with respect to any such Transaction Suit, without the prior written consent of Spinco (which consent shall not be unreasonably withheld).

Section 6.6. Spinco Equity Arrangements. On or prior to the Offer Purchase Date, Spinco, the Company and each Retained Subsidiary which will be a holder of Spinco Preferred Stock immediately after giving effect to the Restructuring, shall each execute and deliver to the other counterparts of a stockholders agreement with respect to such Spinco Preferred Stock in substantially the form set forth in Exhibit A hereto.

Section 6.7. Post-Closing Business Relationships.

(a) License of Existing Intellectual Property Rights. The Company and the Retained Subsidiaries hereby grant to each of Spinco and the Spinco Companies, effective as of the Distribution Date, a perpetual, fully paid-up, worldwide, non-exclusive license with respect to the Intellectual Property Rights to the extent necessary to enable Spinco and the Spinco Companies to continue to use the Intellectual Property Rights in their respective businesses with respect to those products and services thereof of the type manufactured or sold by them on the date hereof or at any time during the last five years or under current development by them as of the date hereof; provided that neither Spinco nor any of the Spinco Companies shall be permitted to sublicense or otherwise transfer any of the Intellectual Property Rights referred to in this Section 6.7(a) to any Person other than an Affiliate of Spinco. Each of Spinco and the Spinco Companies acknowledges and agrees that neither the Company nor the Retained Subsidiaries nor any of their respective Affiliates is making any representations or warranties with respect to the ownership, validity, efficacy or other matters relating to any of the Intellectual Property Rights referred to in this Section 6.7(a).

(b) License of Certain Other Intellectual Property Rights. During the period commencing after the Distribution Date and ending on the third anniversary

thereof, the Company and the Retained Subsidiaries shall, at the request of Spinco or any Spinco Company, grant to Spinco or such Spinco Company a non-exclusive license for those applications reasonably related to the Spinco Business with respect to any Intellectual Property Rights not already covered by paragraph (a) above, which grant shall be made on terms and conditions no less favorable than those terms and conditions which may from time to time be extended generally by Parent to third parties with respect to similar products, services or applications; provided that neither the Company nor any of the Retained Subsidiaries shall be obligated to license

to Spinco or any Spinco Company any of the Intellectual Rights referred to in this Section 6.7(b) if such Intellectual Property Rights relate to any product or service which competes with or will compete with those products or services of the type manufactured or sold by Parent, any Subsidiary of Parent, the Company or any of the Retained Subsidiaries on the date thereof or at any time during the previous five years or under current development by them as of the date thereof.

(c) Certain General Licensing Provisions. The license of Intellectual Property Rights granted pursuant to this Section 6.7 shall not affect the rights of the Company or any of the Retained Subsidiaries to use, disclose or otherwise freely deal with any Intellectual Property Rights licensed hereunder and shall be subject to and limited by (x) all Contracts and obligations, entered into prior to the date on which the license in question was granted, in any way affecting the Company's ability to license the Intellectual Property Rights and (y) the provisions of applicable Law. Spinco agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party arising out of, relating to or resulting from the license of any Intellectual Property Rights to Spinco or any Spinco Company pursuant to the provisions of Section 6.7(a) above or any failure by Spinco or any Spinco Company to perform and abide by all obligations, restrictions, conditions and agreements applicable to the Intellectual Property Rights licensed to Spinco or any Spinco Company pursuant to the provisions of Section 6.7(a) above.

(d) Technical Services. During the period commencing after the Distribution Date and ending on the third anniversary thereof (and for successive periods of three years provided that Spinco notifies the Company in writing, no less than six months nor more than nine months prior to the end of the three-year period in question, of Spinco's intention to continue seeking the services set forth in this Section 6.7(d) during the following three-year period), and subject to existing commitments, obligations and availability, and upon reasonable notice, Parent and its Subsidiaries shall use their reasonable efforts to make available to Spinco and the Spinco Companies those personnel and facilities reasonably designated by Parent or the Company to provide such research and development, technological and technical consulting and support services and other similar consulting and support services (such services, the "Technical Services"), to the extent reasonably requested by Spinco or the Spinco Companies from time to time. The Technical Services shall be provided at a cost calculated in accordance with the "fully-allocated" cost (which shall include all direct and indirect expenses of Parent or the Company or any of their respective Subsidiaries or any other entity which is providing the Technical Services in question, and which shall be allocated in a manner consistent with the Parent's or the Company's past practices (as the case may be) with respect to the allocation of costs to its Subsidiaries. Following the end of the calendar month in which any such Technical Services are performed, the Company shall provide to Spinco or the Spinco Subsidiary in question an invoice (the "Technical Services Invoice") setting forth in summary detail the Technical Services which were provided during such calendar month and the appropriate cost thereof. Spinco or the Spinco Subsidiary in question shall pay to the Company in cash in a reasonably prompt manner following the delivery by the Company of a Technical Services Invoice, the amounts due with respect to the Technical Services reflected on such Technical Services Invoice. The parties hereto acknowledge and agree that (x) the specific terms and conditions of the Technical Services to be provided hereunder (to the extent not otherwise specified and to the extent not inconsistent with the provisions of this Section 6.7(d)) shall be on terms and conditions similar to those terms and conditions which may from time to time be extended generally by or to Parent to or from third parties with respect to similar services (except as

the parties may otherwise mutually agree) and (y) any Intellectual Property Rights created primarily in connection with the delivery of Technical Services to Spinco or the Spinco Subsidiary (as the case may be) shall be the property of Spinco or the Spinco Subsidiary (as the case may be); provided that Parent, the Company and each of their respective Affiliates are hereby granted a perpetual,

fully paid-up, worldwide, non-exclusive license with respect to all such Intellectual Property Rights (provided further that neither Parent nor any of its Affiliates shall be permitted to sublicense or otherwise transfer any of the Intellectual Property Rights referred to in this Section 6.7(d) to any Person other than an Affiliate of such party). Notwithstanding anything to the contrary contained in this Section 6.7(d), SSL shall not be entitled to request or to receive, either directly or indirectly, any Technical Services or any Intellectual Property Rights relating thereto (nor may Spinco, nor any Affiliate of either Spinco or SSL, request or receive any such Technical Services or Intellectual Property Rights on behalf of SSL) unless and until SSL shall have entered into an unconditional release (which shall be in form and substance reasonably acceptable to Parent) in favor of Parent and its Affiliates with respect to any and all Liabilities relating to the SSL Lawsuit (provided that in the event that SSL delivers to Parent a release which satisfies the provisions of this sentence, Parent agrees to promptly deliver to SSL a similar release with respect to such SSL Lawsuit).

Section 6.8. No Restrictions on Post-Closing Competitive Activities. It is the explicit intent of each of the parties hereto that the provisions of this Agreement shall not include any non-competition or other similar restrictive arrangements with respect to the range of business activities which may be conducted by the parties hereto. Accordingly, each of the parties hereto acknowledges and agrees that nothing set forth in this Agreement shall be construed to create any explicit or implied restriction or other limitation on (a) the ability of any party hereto to engage in any business or other activity which competes with the business of any other party hereto, or (b) the ability of any party to engage in any specific line of business or engage in any business activity in any specific geographic area.

Section 6.9. CCD Lawsuit.

(a) The parties hereto acknowledge and agree that prior to the Distribution Date, the Company shall have complete and exclusive control and management over the CCD Lawsuit. On the Distribution Date, immediately prior to the Distribution, Spinco shall acquire an interest in the CCD lawsuit pursuant to the transfers set forth in Section 2.1(a)(viii), which transfers shall be effected by the Company and its Subsidiaries, with the consent of Parent (which shall not be unreasonably withheld), entering into any agreements or stipulations, including, but not limited to, an assignment of the action to Spinco, as may reasonably be required to (i) grant to Spinco complete and exclusive control and management of the CCD Lawsuit (including, but not limited to, the prosecution, defense or settlement of such action) and (ii) grant to Spinco the exclusive right to any and all proceeds or awards resulting or derived from the CCD Lawsuit; provided that Spinco shall pay all fees and expenses relating to the CCD Lawsuit and Spinco hereby agrees to indemnify, defend and hold harmless the Company and each Parent Indemnified Party in accordance with the indemnification provisions of Article V hereof, from and against any and all Indemnifiable Losses of the Company and any such Parent Indemnified Party with respect to the CCD Lawsuit (including, without limitation, with respect to any countersuit relating thereto). The Company agrees that it shall provide reasonable cooperation to Spinco in connection with the CCD Lawsuit, including, but not limited to, reasonable access to such books, records and employees of the Company as may be reasonably necessary in order for Spinco to prosecute or defend the CCD Lawsuit or any other Action related thereto.

(b) Notwithstanding anything to the contrary contained in this Section 6.9, Spinco shall not, without the prior written consent of Parent, consent to any settlement which (A) imposes any Liabilities on Parent (other than those Liabilities which Spinco agrees to promptly pay or discharge), and (B) with respect to any non-monetary provision of such settlement, would be likely, in Parent's reasonable judgment, to have an adverse effect on the business operations, assets, properties or prospects of Parent, the Company or the Retained Business. Nothing in this Section 6.9 shall be construed in any manner to vitiate any of the collective

rights of the Company, the Retained Subsidiaries and Spinco under the CCD Lawsuit and the rights being asserted thereunder in relation to any third party, and the parties hereto shall take all reasonable actions necessary

to ensure the foregoing.

ARTICLE VII

ACCESS TO INFORMATION AND SERVICES

Section 7.1. Provision of Corporate Records. Except as provided in the following sentence, on the Distribution Date, the Company shall deliver to Spinco all corporate books and records (including all active agreements, active litigation files and government filings) which are corporate records of Spinco or any of the Spinco Companies and which relate primarily to the Spinco Assets, the Spinco Business or the Spinco Liabilities, including, without limitation, original corporate minute books, stock ledgers and certificates and corporate seals of each corporation the capital stock of which is included in the Spinco Assets. Notwithstanding the foregoing, the Company shall have the right to retain the original copies of any such documents which also relate to the Retained Assets, the Retained Business or the Retained Liabilities, provided that it provides Spinco with copies of, and reasonable access to, such materials after the Distribution Date. Also on the Distribution Date, the Company shall provide to Spinco lists of trademarks, patents, copyrights and other intellectual property set forth in clause (iii) of the definition of "Assets" herein included in the Spinco Assets.

Section 7.2. Access to Information. Subject to the confidentiality provisions of Section 7.5 hereof, from and after the Distribution Date (i) Spinco shall afford to the Company and its authorized accountants, counsel and other designated representatives reasonable access (including, without limitation, using reasonable efforts to give access to persons or firms possessing Information (as defined below)) and duplicating rights during normal business hours to all records, books, contracts, instruments, computer data and other data and information (collectively, "Information") within Spinco's possession relating to the Spinco Assets, the Spinco Business and the Spinco Liabilities, insofar as such

access is reasonably required by the Company, and (ii) the Company shall afford to Spinco and its authorized accountants, counsel and other designated representatives reasonable access (including, without limitation, using reasonable efforts to give access to persons or firms possessing Information) and duplicating rights during normal business hours to all Information within the Company's possession relating to the Retained Assets, the Retained Business and the Retained Liabilities, insofar as such access is reasonably required by Spinco. Information may be requested under this Article VII for, without limitation, audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations.

Section 7.3. Production of Witnesses. From and after the Distribution Date, each party shall use reasonable efforts to make available to the other party, upon written request, its officers, directors, employees and agents as witnesses to the extent that any such person may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting party may from time to time be involved.

Section 7.4. Retention of Records. Except as otherwise required by Law or agreed to in writing, Spinco and the Company shall each retain, for a period of at least seven years following the Distribution Date, all significant Information relating to (i) in the case of the Company, the Spinco Business and (ii) in the case of Spinco, the Retained Business. Notwithstanding the foregoing, either Spinco or the Company may destroy or otherwise dispose of any of such Information at any time, provided that, prior to such destruction or disposal, (a) Spinco or the Company, as the case may be, shall provide no less than 90 or more than 120 days' prior written notice to the other party, specifying the Information proposed to be destroyed or disposed of and (b) if the other party shall request in writing prior to the scheduled date for such destruction or disposal that any of the Information proposed to be destroyed or disposed of be delivered to the other party, Spinco or the Company, as the case may be, shall promptly arrange for the delivery of such of the Information as was

requested, at the expense of the other party.

Section 7.5. Confidentiality.

(a) Each party shall hold, and shall cause its officers, employees, agents, consultants and advisors to hold, in strict confidence, unless compelled to disclose by judicial or administrative process or, in the reasonable opinion of its counsel, by other requirements of Law, all confidential, proprietary or other non-public information or trade secrets concerning the other party (or such other party's business operations or the business operations of such other party's Affiliates) which is furnished it by such other party or its representatives pursuant to either the Merger Agreement, this Agreement or the Confidentiality Agreement (collectively, the "Confidential Information"). None of the parties hereto nor any of their respective Affiliates shall use for their own benefit or purposes, or release or disclose to any other person or entity, any such Confidential Information (except, to the extent reasonably required, for disclosure to those of such party's auditors, attorneys and other representatives who agree to be bound by the provisions of this Section 7.5). Notwithstanding the foregoing, in the event any party hereto is requested to disclose any Confidential Information to any third party pursuant to any judicial or administrative process or, in the reasonable opinion of its counsel, any other requirements of Law, the party from whom such disclosure is sought shall (x) notify the other parties hereto as soon as reasonably practicable of such request for disclosure, (y) disclose only that portion of the Confidential Information which it reasonably believes, following the advice of counsel, is necessary in order to comply with such judicial or administrative process or other requirements of Law, and (z) cooperate with the other parties hereto in seeking to narrow the scope of any such third party request for disclosure).

(b) Notwithstanding the foregoing, the term "Confidential Information" shall not include information (a) which is or becomes generally available to the public other than as a result of disclosure of such information by the disclosing party or any of its Affiliates or representatives, (b) becomes available to the recipient of such information on a non-confidential basis from a source which is not, to the recipient's knowledge, bound by a confidentiality or other similar agreement, or by any other legal, contractual or fiduciary obligation

which prohibits disclosure of such information to the other party hereto, or (c) which can be demonstrated to have been developed independently by the representatives of such recipient which representatives have not had any access to any information which would otherwise be deemed to be "Confidential Information" pursuant to the provisions of this Section 7.5.

ARTICLE VIII

EMPLOYEE MATTERS

Section 8.1. Officers and Employees. Except as otherwise specified by Spinco prior to the Offer Purchase Date, the executive officers of the Company shall be the executive officers of Spinco on and after the Distribution Date. Effective as of the Distribution Date, (a) those Retained Employees who are employed by the Company or any of its subsidiaries immediately prior to the Distribution Date shall become employees of the Company in the same capacities as then held by such employees (or in such other capacities as the Company shall determine in its sole discretion) and (b) those Spinco Employees, together with those persons whose primary employment is with the Spinco Business, who are employed by the Company or any of its subsidiaries immediately prior to the Distribution Date shall become employees of Spinco in the same capacities as then held by such employees (or in such other capacities as Spinco shall determine in its sole discretion).

Section 8.2. Employee Benefits.

(a) As soon as practicable after, and in any event within 90 days after, and effective as of, the Distribution Date, Spinco shall establish a defined benefit pension plan and trust intended to qualify under Section 401(a) and Section 501(a) of the Code (the "Spinco Pension Plan"). The Company shall, within 180 days following the Distribution Date, but in no event prior to the receipt by the Company of written evidence of the adoption of the Spinco Pension Plan and the trust thereunder by Spinco and either (A) the receipt by the Company of a copy of a favorable determination letter issued by the IRS with respect to the Spinco Pension Plan or (B) an opinion, satisfactory to the Company's counsel,

of Spinco's counsel to the effect that the terms of the Spinco Pension Plan and its related trust qualify under Section 401(a) and Section 501(a) of the Code, direct the Trustees of the Loral Corporation Pension Plan and the Retirement Plan of Loral Aerospace Corp. (the "Company Pension Plans") to transfer in cash or in kind, as agreed to by the Company and Spinco, from the trusts under the Company Pension Plans to the trust under the Spinco Pension Plan, an amount determined by the certified actuary of the Company Pension Plans (the "Company Actuary") which shall be equal to, with respect to each such Company Pension Plan, (A) the product of (i) the fair market value of the assets held under such Company Pension Plan as of the last day of the month prior to the month in which the transfer occurs (the "Valuation Date") and (ii) a fraction, the numerator of which is equal to the present value of all accrued benefits under such Company Pension Plan as of the Distribution Date in respect of Spinco Employees and the denominator of which is equal to the present value of all accrued benefits under such Company Pension Plan less (B) the payments made by such Company Pension Plan between the Distribution Date and the date of transfer in respect of Spinco Employees. From the Valuation Date to the date of transfer, the assets to be transferred will be credited with interest at the interest rate available on a 30-day treasury note at the auction date on or immediately preceding the Valuation Date.

The calculation of the present value of such benefits shall be in accordance with Section 414(1) of the Code and the regulations promulgated thereunder and in all cases utilizing the assumptions used by the Company for reporting accrued benefit obligations under FAS No. 87 in its 1995 Annual Report. For purposes of this calculation, the present value of accrued benefits shall be determined on a termination basis in accordance with the standards of Section 414(1) of the Code. The determination by the Company Actuary shall be final and binding, provided, however, that the Company Actuary shall provide the actuary selected by Spinco with all the documentation reasonably necessary for Spinco to verify such determination; provided, further, that if the Spinco actuary certifies, in writing within 60 days of receiving such supporting documentation, that he disagrees with the Company Actuary then, first the chief financial officers of the Company and Spinco shall negotiate, in good faith,

to resolve such dispute, and if unable to come to an agreement, then the Company and Spinco shall agree upon and engage an impartial actuary, who shall be entitled to the privileges and immunities of an arbitrator, to resolve any disagreement and whose determination as to any such disagreement (if not contrary to ERISA) shall be conclusive, final and binding. The parties shall share equally all costs and fees of such impartial actuary. At the time of transfer of the amount set forth in this Section 8.2, Spinco and the Spinco Pension Plan shall assume all liabilities for all accrued benefits under the Company Pension Plans in respect of Spinco Employees and each of the Company and the Company Pension Plans shall be relieved of all liabilities for such benefits. As soon as practicable after, and in any event within 90 days after, and effective as of, the Distribution Date, Spinco shall cause SSL to establish a trust intended to qualify under Section 501(a) of the Code ("Spinco SSL Trust") and intended to hold the assets of the Retirement Plan of SSL (the "SSL Plan"). The Company shall, within 180 days following the Distribution Date, but in no event prior to the receipt by the Company of written evidence of the adoption of the Spinco SSL Trust, direct the Trustees of the Loral Master Pension Trust (the "Master Trust") to transfer in cash or in kind as agreed to by SSL and the Company from the Master Trust to the Spinco SSL

Trust, the assets held by the Master Trust under the SSL Plan. Upon the transfer of assets in accordance with this Section 8.2(a), Spinco agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and affiliates from and against any and all Indemnifiable Losses arising out of or related to the Spinco Pension Plan and the SSL Plan, including all benefits accrued by Spinco Employees prior to the Distribution Date under the Company Pension Plans and the SSL Plan. Spinco and the Company shall provide each other with such records and information as may be necessary or appropriate to carry out their obligations under this Section or for the purposes of administration of the Spinco Pension Plan and the SSL Plan, and they shall cooperate in the filing of documents required by the transfer of assets and liabilities described herein. Notwithstanding anything contained herein to the contrary, no such transfer shall take place until the 31st day following the filing of all required Forms 5310-A in connection therewith.

(b) Individual Account Plan. As soon as practicable after the Distribution Date, but in no event later than 90 days after the Distribution Date, Spinco shall establish a defined contribution plan and trust intended to qualify under Section 401(a) and Section 501(a) of the Code (the "Spinco Savings Plan"). The Company shall, within 180 days following the Distribution Date, but in no event prior to the receipt by the Company of written evidence of the adoption of the Spinco Savings Plan and the trust thereunder by Spinco and either (A) the receipt by the Company of a copy of a favorable determination letter issued by the IRS with respect to the Spinco Savings Plan or (B) an opinion, satisfactory to the Company's counsel, of Spinco's counsel to the effect that the terms of the Spinco Savings Plan and its related trust qualify under Section 401(a) and Section 501(a) of the Code, direct the trustee of the Loral Master Savings Plan and the Loral Aerospace Savings Plan (the "Company Savings Plans") to transfer to the trustee of the Spinco Savings Plan the account balances under the Company Savings Plans as of the date of transfer in respect of Spinco Employees in cash or in kind, as agreed to by the Company and Spinco; provided, however, all outstanding loans shall be transferred in kind. Upon such transfer, the Spinco Savings Plan shall assume all liabilities for all accrued benefits under the Company Savings Plans in respect of Spinco Employees that are transferred to the Spinco Savings Plan and the Company Savings Plans shall be relieved of all liabilities for such accrued benefits. The Company and Spinco shall cooperate in the filing of documents required by the transfer of assets and liabilities described herein. Notwithstanding anything contained herein to the contrary, no such transfer shall take place until the 31st day following the filing of all required Forms 5310-A in connection therewith. Upon the transfer of assets in accordance with this section 8.2(b), Spinco agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and affiliates from and against any and all Indemnifiable Losses arising out of or relating to the Spinco Savings Plan, including all benefits accrued by Spinco Employees prior to the Distribution Date.

(c) Welfare Benefit Plans. As of the Distribution Date, Spinco Employees shall cease to participate in the employee welfare benefit plans (as such term

in defined in ERISA) maintained or sponsored by the Company (the "Prior Welfare Plans") and shall commence to participate in welfare benefit plans of Spinco (the "Replacement Welfare Plans") which Replacement Welfare Plans shall, in the case of any such plan that is subject to the requirements of Section 4980B of the Code, provide for substantially identical benefits on substantially identical terms and conditions that were provided by Prior Welfare Plans immediately prior to the Distribution Date. Spinco will, (i) waive all limitations as to pre-existing condition exclusions and waiting periods with respect to participation and coverage requirements applicable to Spinco Employees under the Replacement Welfare Plans, other than limitations or waiting periods that were in effect with respect to such employees under the Prior Welfare Plans and that have not been satisfied as of the Distribution Date, and (ii) provide each Spinco Employee with credit for any co-payments and deductibles paid prior to the Distribution Date in satisfying any deductible or out-of-pocket requirements under the Replacement Welfare Plans. After the Distribution Date, Spinco shall be

responsible for any claims by Spinco Employees for benefits relating to claims incurred but not reported prior to the Distribution Date. The Company shall use its best efforts to ensure that, except as provided otherwise in the Merger Agreement or Distribution Agreement, the consummation of the transactions contemplated by this Distribution Agreement shall not entitle any employee to severance benefits under any severance plan or arrangement of the Company or any of its Subsidiaries.

(d) Collective Bargaining Agreements. As of the Distribution Date, with respect to those collective bargaining agreements to which the Company or any of its Affiliates is a party and which cover Spinco Employees, Spinco shall assume all liabilities and obligations of the Company and each of its Affiliates thereunder, but only to the extent that such liabilities and obligations relate to any Spinco Employees.

(e) Certain Liabilities. Spinco hereby agrees to indemnify the Company and its Affiliates against, and agrees to hold them harmless from any and all Indemnifiable Losses incurred or suffered as a result of any claim by any Spinco Employee which arises under federal, state or local statute (including, without

limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974 and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and the Spinco Employee, whether arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to, or after, the Distribution Date. The Company hereby agrees to indemnify Spinco and its Affiliates against, and agrees to hold it harmless from any and all Indemnifiable Losses incurred or suffered as a result of any claim by any Retained Employee which arises under federal, state or local statute (including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act of 1990, the Equal Pay Act, the Americans with Disabilities Act of 1990, the Employee Retirement Income Security Act of 1974 and all other statutes regulating the terms and conditions of employment), regulation or ordinance, under the common law or in equity (including any claims for wrongful discharge or otherwise), or under any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company and the Retained Employee, whether arising out of actions, events or omissions that occurred (or, in the case of omissions, failed to occur) prior to, or after, the Distribution Date. The indemnification provided for in this Section 8.2 shall be subject to the terms and conditions of the indemnification provisions of Article V hereof.

(f) As of the Distribution Date, with respect to any employee liabilities or obligations arising under the Company's (i) split dollar life insurance arrangements with certain executives, (ii) the Loral Supplemental Executive Retirement Plan (the "SERP"), and (iii) retiree welfare plans (including retiree medical plans), (all such liabilities in (i), (ii) and (iii), "Enumerated Liabilities"):

(A) On or prior to the Distribution Date, the Company shall establish one or

more grantor rabbi trusts (the "SERP Trust") of which the participants in the SERP shall be the beneficiaries and shall contribute to such trust an amount equal to the present value of all accrued benefits under the SERP as of the Distribution Date (the parties hereto acknowledge that such amount shall not exceed $11 million).

(B) The Company shall retain and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all

Enumerated Liabilities with respect to Retained Employees and shall retain any assets relating to such liabilities.

(C) Spinco shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all Enumerated Liabilities with respect to Spinco Employees and the Company shall transfer, or allocate, as applicable, to Spinco as soon as practicable following the Distribution Date any assets relating to such liabilities. The assets held in the SERP Trust shall be allocated, to the extent practicable, in accordance with the principles set forth in Section 8.2(a).

Section 8.3. Other Liabilities and Obligations. As of the Distribution Date, with respect to claims relating to any employee liability or obligation not otherwise provided for in this Agreement or the Merger Agreement, including, without limitation, accrued holiday, vacation and sick day benefits, (a) the Company shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all such claims made by Retained Employees and (b) Spinco shall assume and be solely responsible for all liabilities and obligations whatsoever of both the Retained Business and the Spinco Business for all such claims made by all Spinco Employees. Notwithstanding the foregoing, wages and salary accrued prior to the Distribution Date in respect of

Spinco New York Employees and deferred directors' fees shall be the sole responsibility of the Retained Business.

Section 8.4. Preservation of Rights to Amend or Terminate Plans. No provision of this Agreement, shall be construed as a limitation on the right of the Company or Spinco to amend any plan or terminate its participation therein which the Company or Spinco would otherwise have under the terms of such plan or otherwise, and no provision of this Agreement shall be construed to create a right in any employee or beneficiary of such employee under a plan that such employee or beneficiary would not otherwise have under the terms of such plan itself.

Section 8.5. Reimbursement; Indemnification. Spinco and the Company acknowledge that the Company, on the one hand, and Spinco, on the other hand, may incur costs and expenses (including, without limitation, contributions to plans and the payment of insurance premiums) pursuant to any of the employee benefit or compensation plans, programs or arrangements which are, as set forth in this Agreement, the responsibility of the other party. Accordingly, the Company and Spinco agree to reimburse each other, as soon as practicable but in any event within 30 days of receipt from the other party of appropriate verification, for all such costs and expenses reduced by the amount of any tax reduction or recovery of tax benefit realized by the Company or Spinco, as the case may be, in respect of the corresponding payment made by it. All Liabilities retained, assumed or indemnified by Spinco pursuant to this Article VIII shall in each case be deemed to be Spinco Liabilities, and all Liabilities retained, assumed or indemnified by the Company pursuant to this Article VIII shall in each case be deemed to be Retained Liabilities, and, in each case, shall be subject to the indemnification provisions set forth in Article V hereof.

Section 8.6 Actions By Spinco. Any action required to be taken under this Article VIII may be taken by a Subsidiary of Spinco, the Spinco Companies, or a Subsidiary of the Spinco Companies.

ARTICLE IX

INSURANCE

Section 9.1. General. Except as otherwise agreed in writing between the parties, the Company shall maintain until the Distribution Date all policies of liability, fire, extended coverage, fidelity, fiduciary, workers' compensation and other forms of insurance in effect as of the date hereof

insuring the products, properties, Assets and operations contemplated to be transferred to Spinco and each of the Spinco Companies.

Section 9.2. Certain Insured Claims. The Company shall (a) use reasonable efforts, upon Spinco's written request and at Spinco's sole expense, to continue to maintain and renew for the benefit of Spinco and each of the Spinco Companies the insurance policies under the Casualty Program with respect to claims having an occurrence date (as the term "occurrence date" is customarily defined) prior to the Distribution Date, relating to, or arising out of the conduct of, the Spinco Business, the Spinco Assets or the Spinco Liabilities, and (b) use reasonable efforts and cooperate with Spinco, upon Spinco's written request and at Spinco's sole expense, to obtain coverage, recoveries and other benefits under such policies for the benefit of Spinco and each of the Spinco Companies, including, without limitation, by filing and pursuing claims with respect to obtaining such coverage, recoveries and other benefits; provided that in no event shall the Company be obligated to litigate or pursue any other extra-contractual remedies against any insurer; provided further that all claims pursuant to this Section 9.2 shall be submitted, investigated, processed and paid in accordance with the claims handling procedures used by the Company and its Affiliates from time to time with respect to other like claims. The Company will reimburse Spinco and each of the Spinco Companies for any recovery obtained by it pursuant to such claims. The Company shall make available to Spinco such of its employees as Spinco may reasonably request as witnesses or deponents in connection with Spinco's pursuit of claims.

ARTICLE X
CONDITIONS; TERMINATION; AMENDMENTS; WAIVERS

Section 10.1. Condition to Restructuring and Distribution.

(a) The obligations of each of the Company, Holdings, Aerospace LGP, LG, Cayman and Spinco to effect the Restructuring and the Distribution (other than those obligations which are normally expected to precede the Restructuring or the Distribution) shall be subject to the satisfaction of the following conditions: (i) the Purchaser shall have notified the Company that it is prepared to immediately accept for payment shares of Company Common Stock pursuant to the terms and conditions of the Offer as set forth in the Merger Agreement, (ii) the Record Date shall have been set by the Company's Board of Directors, (iii) the Form 10 (or the registration statement referred to in Section 3.1(a) hereof) shall have been declared effective by the SEC, (iv) the Spinco Common Stock shall have been accepted for listing or quotation in accordance with Section 3.1(e) hereof, (v) no Court Order or Law shall have been enacted, promulgated, issued or entered against any of the parties hereto which (x) prohibits or materially restricts consummation of any of the transactions contemplated by this Agreement and (y) remains in effect as of the date on which the satisfaction of this condition is determined, (vi) the Company and the Retained Subsidiaries (other than Spinco and the Spinco Companies) shall have obtained all consents required to be obtained by the Company as a result of or in connection with the transactions contemplated by this Agreement in order to avoid a material Default under any material Contract to or by which the Company, Spinco or any of their respective Subsidiaries is a party or may be bound, or otherwise necessary to permit the Company and each of the Retained Subsidiaries to conduct their business in a manner consistent with its past practices, (vii) all consents and approvals of, and notices to and filings with, any Governmental Entity or any other person or entity arising out of or relating to the consummation of the transactions contemplated by this Agreement, shall have been obtained or made (as the case may be), (viii) the Globalstar Bank Guarantee shall have been amended pursuant to Section 2.5 hereof so that the provisions

thereof shall, following the Restructuring, be amended in the manner contemplated by Section 2.5 hereof (with such changes thereto as Parent and the Company may approve prior to the Offer Purchase Date), and (ix) the Lehman Partnerships and all other holders of the Lehman Preferred Stock (if any) shall have exchanged all issued and outstanding shares of Lehman Preferred Stock for shares of capital stock or other equity securities of either Spinco, any Spinco Company or any Subsidiary of Spinco pursuant to Section 2.7 hereof.

(b) The parties hereto acknowledge and agree that (x) Parent may waive, on behalf of all parties hereto, the conditions set forth in clauses (viii) and (ix) of Section 10.1(a) above, (y) Parent may waive, on behalf of all parties hereto, the condition set forth in clauses (v), (vi) and (vii) of Section 10.1(a) above so long as (1) Parent reasonably believes that consummation of the Distribution at such time will have no material adverse effect on Spinco or the Spinco Business and (2) Parent agrees to indemnify Spinco pursuant to the provisions of Article V hereof with respect to any Indemnifiable Losses which result from any material adverse effect on Spinco or the Spinco Business which results directly from such waiver, and (z) the Company may not waive any of the conditions set forth in Sections 10.1(a)(i) through 10.1(a)(ix) above without first obtaining the prior written consent of Parent (which may not be unreasonably withheld). In the event that all of the Distribution Conditions have been satisfied (or waived, to the extent expressly permitted by the provisions of the preceding sentence), the Company, Holdings, Aerospace and Spinco shall consummate the Restructuring and the Distribution, and all other transactions related thereto, on the date on the date on which such Distribution Conditions have been so satisfied or waived (or as soon as practicable following such date in the event that such parties are unable to consummate the Restructuring and the Distribution, and all other transactions related thereto, on such date). The respective obligations of each party hereto to perform those of its obligations which are to be performed following consummation of the Restructuring and the Distribution, shall be conditioned on the consummation of the Restructuring and the Distribution in accordance with the provisions of this Agreement.

Section 10.2. Termination. This Agreement (i) may be terminated and the Distribution abandoned at any time prior to the Offer Purchase Date by the mutual written agreement of each of the parties hereto or (ii) shall be terminated automatically and the Distribution abandoned upon any termination of the Merger Agreement in accordance with the terms and conditions thereof. In the event that this Agreement shall be terminated pursuant to this Section 10.2, all obligations of the parties hereto under this Agreement shall terminate without further liability or obligation of any party hereto to the other parties hereto under this Agreement or otherwise, except (i) for any breach by such party of the terms and provisions of this Agreement prior to the date of such termination and (ii) as stated in Section 11.3 hereof.

Section 10.3. Amendments; Waivers. This Agreement may be amended, modified or supplemented only by written agreement of each of the parties hereto. Any term or provision of this Agreement may be waived at any time by the party entitled to the benefit thereof by a written instrument executed by such party. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants, agreements or conditions contained herein. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by any party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Survival of Indemnities; Release. The representations and warranties made in Section 6.1 of this Agreement shall survive for a period of three years from the Distribution Date, but shall not survive any termination of this Agreement; provided that

claims with respect to breaches of covenants and agreements set forth in this Agreement shall survive for the applicable statute of limitations period. Except as otherwise expressly provided in this Agreement (including, without limitation, the indemnification provisions of Article V hereof), each of the parties (a) agrees that no claims or causes of action may be brought against the

Company, Holdings, Aerospace, Spinco, Parent or the Purchaser or any of their Affiliates, agents or representatives based upon, directly or indirectly, any of the representations and warranties contained in this Agreement after three years following the Distribution Date (other than causes of actions commenced after such three-year period to seek recourse for claims asserted during such three-year period that are not resolved by the parties), and (b) hereby waives and releases all other claims and causes of action, that may be asserted or brought against the Company, Holdings, Aerospace, Spinco, Parent or the Purchaser or any of their Affiliates, agents or representatives directly or indirectly based upon or arising under this Agreement or the Merger Agreement, or the transactions contemplated hereby or thereby. Notwithstanding the foregoing, this Section 11.1 shall not limit any covenant or agreement of the parties in this Agreement, the Merger Agreement, the Tax Sharing Agreement or the Stockholders Agreement which contemplates performance after the Distribution Date (including, without limitation, the covenants and agreements set forth in Sections 2.1(b) and 6.2 hereof), except for the covenants and agreements in the Merger Agreement to the extent of their performance prior to the Distribution Date.

Section 11.2. Entire Agreement. This Agreement (including the schedules and exhibits and the agreements and other documents referred to herein, including, without limitation, the Merger Agreement, the Tax Sharing Agreement and the Stockholders Agreement) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof (including, without limitation, the provisions of the Confidentiality Agreement).

Section 11.3. Fees and Expenses. Except as otherwise provided in this Agreement, the Merger Agreement, the Tax Sharing Agreement or the Stockholders Agreement, and subject to the proviso below, all costs and expenses incurred by the Company and each of the Retained Subsidiaries and by Spinco in connection with (x) the preparation, execution and delivery of this Agreement, the Merger Agreement, the Tax Sharing Agreement and the Stockholders Agreement and (y) consummating such party's obligations hereunder and thereunder (including, without limitation, investment banking, legal, accounting, audit and printing costs and expenses), shall be paid by the Company, upon the submission to the Company of appropriate documentation detailing such costs and expenses); provided that the investment banking costs and expenses incurred by the Company (including any legal or other costs and expenses but excluding any indemnification-related costs and expenses) incurred by the Company relating to the provision of such investment banking services) in connection with the transactions contemplated by this Agreement and the Merger Agreement which exceed $12,000,000 (such excess amount of such investment banking costs and expenses, the "Spinco Excess Costs"), shall not be considered to be expenses of the Company, but shall be deemed to be Spinco Liabilities and shall be paid by Spinco on or promptly after the Distribution Date.

Section 11.4. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF.

Section 11.5. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand or (c) the expiration of five Business Days after the day when mailed by certified or registered mail, postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to the Company, or Aerospace, to:

Loral Corporation
600 Third Avenue
New York, NY 10016
Telephone: (212) 697-1105
Telecopy No.: (212) 602-9805
Attention: General Counsel

with a copy to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethedsa, MD 20817
Telephone: (301) 897-6125
Telecopy No.: (301) 897-6333
Attention: General Counsel

and to:

Skadden, Arps, Slate, Meagher
& Flom
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000
Telecopy No.: (212) 735-2000
Attention: Peter Allan Atkins, Esq.
Lou R. Kling, Esq.

and to:

O'Melveny & Myers
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 326-2000
Telecopy No.: (212) 326-2160
Attention: C. Douglas Kranwinkle, Esq.
Jeffrey J. Rosen, Esq.

(b) If to Spinco, to:

Loral Space & Communications Corporation
600 Third Avenue
New York, New York 10016
Telephone: (212) 697-1105
Telecopy No.: (212) 602-9805
Attention: General Counsel

with a copy to:

Willkie Farr & Gallagher
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 821-8000
Telecopy No.: (212) 821-8111
Attention: Robert B. Hodes, Esq.
Bruce R. Kraus, Esq.

Section 11.6. Successors and Assigns; No Third Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto (which consent may not be unreasonably withheld), except that any party shall have the right, without the consent of any other party hereto, to assign all or a portion of its rights, interests and obligations hereunder to one or more direct or indirect subsidiaries, but no such assignment of obligation shall relieve the assigning party from its responsibility therefor. Notwithstanding the foregoing, Spinco shall be permitted to assign its rights and obligations under this Agreement to one of its Affiliates (the "Spinco Transferee") prior to the Record Date so long as (x) such assignment shall not relieve Spinco from its joint responsibility therefor and (y) such assignment does not adversely affect any of the rights, benefits or obligations of Parent or any of the Parent Indemnified Parties under this Agreement or the Merger Agreement; provided that in the event of any such assignment to the Spinco Transferee, all references to Spinco shall be automatically deemed to be references to Spinco. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except for the provisions of Sections 8.1 hereof, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or

remedies of any nature whatsoever under or by reason of this Agreement; provided, however, that the Indemnified Parties are intended to be third party beneficiaries of the provisions of Article V hereof, and shall have the right to enforce such provisions as if they were parties hereto.

Section 11.7. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 11.8. Interpretation. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 11.9. Schedules. The Disclosure Schedule shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein.

Section 11.10. Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 11.11. Consent to Jurisdiction. Each of the parties hereto irrevocably and unconditionally (a) agrees that all suits, actions or other legal proceedings arising out of this Agreement or any of the transactions contemplated hereby (a "Suit") shall be brought and adjudicated solely in the United States District Court for the Southern District of New York, or, if such court will not accept jurisdiction, in any court of competent civil jurisdiction sitting in New York City, New York, (b) submits to the non-exclusive jurisdiction of any such court for the purpose of any such Suit and (c) waives and agrees not to assert by way of motion, as a defense or otherwise in any such Suit, any claims that it is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper. Each of the parties hereto also irrevocably and unconditionally consents to the service of any process, summons, pleadings, notices or other papers in a manner permitted by the notice

provisions of Section 11.5 hereof and agrees that any such form of service shall be effective in connection with any such Suit; provided that nothing contained in this Section 11.11 shall affect the right of any party to serve process, pleadings, notices or other papers in any other manner permitted by applicable Law.

Section 11.12. Specific Performance. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to compel specific performance of this Agreement in any action instituted in any court referred to in Section 11.11 hereof.

IN WITNESS WHEREOF, each of the parties has caused this Restructuring, Financing and Distribution Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

LORAL CORPORATION

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

LORAL AEROSPACE HOLDINGS, INC.

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

LORAL AEROSPACE CORP.

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

LORAL TELECOMMUNICATIONS ACQUISITION, INC.

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

LOCKHEED MARTIN CORPORATION

/s/ MARCUS C. BENNETT
By:_____
Name:
Title:

LORAL GLOBALSTAR LIMITED

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

LORAL GENERAL PARTNER, INC.

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

LORAL GLOBALSTAR, L.P.

/s/ MICHAEL B. TARGOFF
By:_____
Name:
Title:

Exhibit A

STOCKHOLDERS AGREEMENT

dated as of _____, 1996

by and among

LORAL CORPORATION,

and

LORAL SPACE & COMMUNICATIONS CORPORATION

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT, dated as of _____, 1996 (the "Agreement"), by and among Loral Corporation, a New York corporation ("Loral"), and Loral Space & Communications Corporation, a _____ corporation (the "Company"). Loral and those of its Affiliates who are transferees with respect to any of the Equity Securities (as defined below), are sometimes collectively referred to herein as the "Stockholders".

RECITALS:

WHEREAS, the Company, Lockheed Martin Corporation, a Maryland corporation ("LMC"), Loral and certain subsidiaries of Loral entered into a Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996 (the "Restructuring Agreement"; all capitalized terms used in this Agreement but not otherwise defined herein, shall have the respective meanings assigned to such terms in the Restructuring Agreement), pursuant to which, after giving effect to the Restructuring and the Distribution, Loral acquired _____ shares of Series A Non-Voting Convertible Preferred Stock, par value $0.01 per share, of the Company (the "Preferred Stock"); and

WHEREAS, the Company and Loral desire to establish in this Agreement certain conditions with respect to the relationship between the Stockholders and the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and in the Restructuring Agreement, the parties hereto agree as follows:

ARTICLE I

STANDSTILL AND VOTING PROVISIONS

Section 1.1. Restrictions on Certain Actions by the Stockholders. (a) During the Term (as defined in Article V below), each Stockholder will not, and will cause each of its Affiliates (such term, as used in this Agreement, as defined in Rule 12b-2 of the General Rules and Regulations under the Exchange Act) not to, singly or as part of a partnership, limited partnership, syndicate or other group (as those terms are used in Section 13(d)(3) of the Exchange Act), directly or indirectly:

(i) acquire, offer to acquire, or agree to acquire, by purchase, gift or otherwise, any Equity Securities (as defined below in Section 1.1(c)), except pursuant to a stock split, stock dividend, rights offering, recapitalization, reclassification, merger, consolidation, corporate reorganization or similar transaction; provided that at any time in which the Stockholders hold, in the aggregate, less than twenty percent (20%) of the Total Voting Power, then the Stockholders may acquire Equity Securities so that the Stockholders hold, in the aggregate, up to twenty percent (20%) of the Total Voting Power;

(ii) make, or in any way actively participate in, any "solicitation" of "proxies" to vote (as such terms are defined in Rule 14a-1 under the Exchange Act), solicit any consent or communicate with or seek to advise or influence any third party with respect to the voting of any Equity Securities or become a "participant" in any "election contest" (as

such terms are defined or used in Rule 14a-11 under the Exchange Act), in each case with respect to the Company;

(iii) form, join or encourage the formation of, any "person" within the meaning of Section 13(d)(3) of the Exchange Act with respect to any Equity Securities; provided that this Section 1.1(a)(iii) shall not prohibit any such arrangement solely among the Stockholders and any of their respective Affiliates;

(iv) deposit any Equity Securities into a voting trust or subject any such Equity Securities to any arrangement or agreement with respect to the voting thereof; provided that this Section 1.1(a)(iv) shall not prohibit any such arrangement solely among the Stockholders and any of their respective Affiliates;

(v) initiate, propose or otherwise solicit stockholders for the approval of one or more stockholder proposals with respect to the Company as described in Rule 14a-8 under the Exchange Act, or induce or attempt to induce any other third party to initiate any stockholder proposal;

(vi) except as otherwise contemplated or permitted by this Agreement (including, without limitation, pursuant to Section 1.2 hereof), seek to place a representative on the Board of Directors of the Company or seek the removal of any member of the Board of Directors of the Company, except with the approval of the Board of Directors or management of the Company;

(vii) except with the approval of the Board of Directors or management of the Company, call or seek to have called any meeting of the stockholders of the Company;

(viii) except through its representatives on the Board of Directors (or any committee thereof) of the Company (if any) and except as otherwise contemplated by this Agreement or the Restructuring Agreement (including the agreements and other documents referred to therein, including, without limitation, the Tax Sharing Agreement), otherwise act to seek to control the management or policies of the Company, except with the approval of the Board of Directors or management of the Company;

(ix) sell or otherwise transfer in any manner any Equity Securities to any "person" (within the meaning of Section 13(d)(3) of the Exchange Act) who, immediately following such sale or transfer, would, to the best of the Stockholder's knowledge, own more than four percent (4%) of any class of Equity Securities or who, without the approval of

the Board of Directors of the Company, (A) has publicly proposed a business combination or similar transaction with, or a change of control of, the Company or who has publicly proposed a tender offer for Equity Securities or (B) who has discussed with Loral or any of its respective Affiliates the possibility of proposing a business combination or similar transaction with, or a change in control of, the Company;

(x) sell or otherwise transfer in any manner to any person (as defined in clause (ix) above) in any single transaction or series of related transactions more than 2% of the outstanding Equity Securities;

(xi) solicit, seek to effect, negotiate with or provide any information to any other party with respect to, or make any statement or proposal, whether written or oral, to the Board of Directors of the Company or any director or officer of the Company or otherwise make any public announcement or proposal whatsoever with respect to, any form of business combination transaction involving the Company, including, without limitation, a merger, exchange offer or liquidation of the Company's assets, or any corporate reorganization or similar transaction with respect to the Company, except in each case with the approval of the Board of Directors or management of the Company; or

(xii) instigate or encourage any third party to do any of the foregoing.

Notwithstanding clauses (ix) and (x) above, the Stockholders may effect any transaction contemplated by Article III hereof.

(b) Notwithstanding the provisions of this Section 1.1, nothing herein shall apply with respect to any Equity Securities acquired from any person other than a Stockholder (x) held by any pension, retirement or other benefit plan managed by any Stockholder or any of its subsidiaries or other Affiliates or (y) held in any account managed for the benefit of another person, by any subsidiary or other Affiliate of any of the Stockholders which is engaged in the financial services business. In

addition, notwithstanding the provisions of this Section 1.1, nothing herein shall prohibit or restrict any transfer of Equity Securities to or among any of the subsidiaries or other Affiliates of any of the Stockholders (provided that such subsidiary or Affiliate agrees to be bound to the provisions of this Agreement, upon which such subsidiary or Affiliate shall be entitled to all rights and benefits, and shall be subject to all obligations, of a Stockholder under this Agreement).

(c) For the purposes of this Agreement, (i) the term "Equity Securities" shall mean the Preferred Stock and any securities entitled to vote generally in the election of directors of the Company, or any direct or indirect rights or options to acquire any such securities or any securities convertible or exercisable into or exchangeable for such securities (provided that, in the event that the Guaranty Warrants (as defined below) become warrants to acquire Equity Securities, such Guaranty Warrants and any securities issued pursuant to the exercise of such Guaranty Warrants, shall not (so long, in each case, as they are held by the Stockholder) constitute Equity Securities for purposes of determining the appropriate number of shares of Common Equity Securities which Loral is entitled to acquire hereunder, including in connection with the determination of the Target Percentage pursuant to Section 1.4(a) hereof), (ii) the term "Voting Power" shall mean the voting power in the general election of directors of the Company, (iii) the term "Total Voting Power" shall mean the total combined Voting Power of all the Equity Securities then outstanding, including, without limitation, the Preferred Stock, and, insofar as the Preferred Stock is concerned, it is deemed to have Voting Power equal to that of the Common Stock into which it is convertible, (iv) the term "Change of Control" shall mean the occurrence of any of the following events: (A) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner of Equity Securities which represent at least forty percent (40%) of the Total Voting Power, or (B) during any one-year period, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Company was approved by a vote of a majority of the directors of the Company then still in office who were

either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors of the Company then in office, (v) the term "beneficial owner", and terms having similar import, shall mean any direct or indirect "beneficial owner", as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act, and (vi) the term "Guaranty Warrants" shall mean those warrants which accrue to the benefit of the Company in connection with the Globalstar Bank Guarantee, as described in the Globalstar Warrant Memorandum.

Section 1.2. HSR Clearance.

(a) At any time after the date hereof (but subject to the provisions of Section 1.2(b) below), following a written request by Loral to the Company (such request, the "HSR Notice"), the Company and the Stockholders will (i) take promptly all actions necessary to make the filings required of the Stockholders, the Company or any of their respective Affiliates under the HSR Act (as defined in the Merger Agreement) with respect to the right to convert Preferred Stock and continue to own the securities so received, the ownership and voting of Equity Securities by the Stockholders, any of the transactions contemplated by this Agreement or any other similar matters (all such exercise, ownership,

voting, transaction and other similar matters, the "Filing Matters"), (ii) comply at the earliest practicable date with any request for additional information or documentary material received by the Company or the Stockholders or any of their Affiliates from any of the Federal Trade Commission, the Antitrust Division of the Department of Justice, state attorneys general, the Commission, or other governmental or regulatory authorities (all such authorities, the "Antitrust Authorities"), and (iii) cooperate with each other in connection with any of the filings referred to in clause (i) above and in connection with resolving any investigation or other inquiry commenced by any of the Antitrust Authorities. To the extent reasonably requested by Loral, the Company shall use all reasonable efforts to resolve such objections, if any, as may be asserted with respect to the Filing Matters. If any administrative, judicial or legislative action or proceeding is instituted (or threatened to be instituted)

challenging any aspect of the Filing Matters as violative of any Antitrust Law, each of the Stockholders and the Company shall cooperate with each other to contest and resist any such action or proceeding, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits the exercise by the Stockholders of the right to convert Preferred Stock and continue to own the securities so received, or the exercise by Loral of its rights with respect to the ownership and voting of Equity Securities or any of the transactions contemplated by this Agreement (any such decree, judgment, injunction or other order is hereafter referred to as an "Order"), including, without limitation, by pursuing all reasonable avenues of administrative and judicial appeal, provided that nothing contained in this Section 1.2(a) shall be construed to require any party hereto to hold separate or divest any of their respective assets or businesses or agree to any substantive restriction thereon or on the conduct thereof. Each of the Company and Loral shall promptly inform the other party of any material communication received by such party from any Antitrust Authority regarding any of the Filing Matters or any of the other transactions contemplated hereby. For the purposes of this Agreement, the term "HSR Clearance Date" shall mean the first date on which (x) any applicable waiting period under the HSR Act with respect to the Filing Matters shall have expired or been terminated, (y) there shall not be pending any Action commenced by any Antitrust Authority relating to any of the Filing Matters or any of the other transactions contemplated hereby, and (z) there shall not be in effect any Order.

(b) Notwithstanding the provisions of Section 1.2(a) above, in the event that Loral delivers the HSR Notice to the Company, the Company shall be entitled to postpone for a reasonable period of time (but in no event later than 45 days), any filing referred to in Section 1.2(a)(i) above if the Company determines in its reasonable judgment and in good faith that such filing would delay the obtaining of any approval from an Antitrust Authority with respect to any announced or imminent material acquisition or disposition which would require a filing by the Company under the HSR Act. In the event of such postponement, Loral shall have the right to withdraw

its HSR Notice and may deliver any such HSR Notice at any time thereafter.

Section 1.3. Voting.

(a) General Voting Provisions. Subject to the provisions of Section 1.3(b) below, prior to the HSR Clearance Date, no Stockholder shall have the right to convert Preferred Stock into common stock or the right to vote any Equity Securities with respect to the election of directors of the Company or on any other matters submitted to a vote of the stockholders of the Company (other than those matters set forth in Section 1.3(b) below). Following the HSR Clearance Date, each Stockholder shall have the right to vote its Equity Securities to the extent permitted by the terms thereof on any matters submitted to a vote of the stockholders of the Company (including, without limitation, those matters set forth in Section 1.3(b) below); provided that following the HSR Clearance Date any Stockholder shall have the right to vote any Equity Securities to the extent permitted by the terms thereof with respect to the election of directors of the Company only (i) as recommended by the Board of Directors or management of the Company or (ii) in the same proportions as the holders of Equity Securities (other than Stockholders) vote their Securities.

On each matter with respect to which a Stockholder is entitled to vote pursuant to this Section 1.3, each such Stockholder shall be present, in person or represented by proxy, at all such stockholder meetings of the Company so that all Equity Securities beneficially owned by it shall be counted for the purpose of determining the presence of a quorum at such meetings. For purposes of this Section 1.3, all references to the term "vote" shall include the execution and delivery of any written consent with respect to the taking of any stockholder action in lieu of a meeting of stockholders.

(b) Exceptions to General Voting Provisions. Notwithstanding anything to the contrary contained in this Agreement, each Stockholder shall have the right to vote freely, in any manner in which they determine, with respect to any of the following matters:

(i) any amendment to or modification or repeal of any provision of the Company's Certificate of Incorporation including any of the provisions of

any certificate of designation or By-laws (or similar organizational documents);

(ii) any merger, consolidation, corporate reorganization or similar transaction involving the Company;

(iii) any sale, lease, exchange, transfer or other disposition, directly or indirectly, in a single transaction or series of related transactions, of all or substantially all of the assets of the Company or any of its Affiliates;

(iv) any plan or proposal for the liquidation or dissolution of the Company or any assignment by the Company for the benefit of creditors, or any filing by the Company of a petition in bankruptcy; or

(v) any restructuring, extension, modification, substitution, refinancing or amendment of any indebtedness of the Company.

(c) Company Call. If, within one year following the date hereof, the Stockholders vote against any Call Event Triggering Transaction (as defined below), the Company shall have the right, for 10 days following the date on which such vote is held, to purchase, and the Stockholders shall be required to sell to the Company, all, but not less than all, of the Equity Securities held by the Stockholders at a per share cash price equal to the Call Event Trigger Price (as defined below). The Company may exercise such right by delivering to each Stockholder, within such 10-day period, a written notice stating that the Company has irrevocably agreed to purchase in cash all (but not less than all) of the Equity Securities held by the Stockholders at the Call Event Trigger Price upon the terms and conditions set forth in this Section 1.3(c). The closing with respect to the purchase of Equity Securities by the Company pursuant to this Section 1.3(c) shall be on a mutually determined closing date which shall not be more than 15 days after the date on which the Company's written notice referred to above is delivered to the Stockholders. The closing shall be held at 10:00 A.M., local time, at the principal office of the Company, or at such other time or place as the parties mutually agree. On such closing date, each

Stockholder shall deliver (i) certificates representing the shares of Equity Securities being sold, free and clear of any lien, claim or encumbrance, and (ii) such instruments of transfer and evidence of ownership and authority as the Company may reasonably request. The purchase price shall be paid by the Company to each Stockholder by wire transfer of immediately available funds no later than 2:00 P.M. on the closing date to the account(s) designated by the Stockholders prior to such closing date. For purposes of this Section 1.3(c), (i) the term "Call Event Triggering Transaction" shall mean any transaction described in Sections 1.3(b)(ii) and 1.3(b)(iii) between the Company, on the one hand, and any Spinco Company (or any other Subsidiary of either the Company or a Spinco Company), on the other; provided that the term "Call Event Triggering Transaction" shall not include any transaction involving any party which is not a Spinco Company (or any other Subsidiary of either the Company or a Spinco Company), (ii) the term "Call Event Trigger Price" shall mean the sum of (x)

$344,000,000.00, plus (y) all amounts expended by the Stockholders following the date hereof in connection with the acquisition of Equity Securities other than acquisitions from another Stockholder following the date hereof, minus (z) any net sales proceeds received by the Stockholders following the date hereof in connection with the sale of Equity Securities (other than sales to another Stockholder) following the date hereof.

Section 1.4. Loral Option.

(a) General Provisions Relating to Loral Option. If, within one year following the date hereof, any Option Event Triggering Transaction (as defined below) occurs, Loral shall have the right, within 90 days after the consummation of the Option Event Triggering Transaction, to purchase, and the Company (for purposes of this Section 1.4, all references to the "Company" shall be deemed to include the Surviving Corporation (as defined below), shall be required to sell to Loral, a number of shares of Preferred Stock which would cause Loral to own Equity Securities with Voting Power equal to the Target Percentage (as defined below) of the Total Voting Power immediately after giving effect to the consummation of the Option Event Triggering Transaction, at a per share cash price equal to the Option Event Trigger Price (as defined below). Loral may exercise such right by deliv-

ering to the Company, within such 90-day period, a written notice stating that Loral (or any Subsidiary of Loral designated by Loral; for purposes of this Section 1.4, all references to "Loral" shall be deemed to include such designated Subsidiary) has irrevocably agreed to purchase in cash the number of shares of Preferred Stock specified in the preceding sentence, at the Option Event Trigger Price, upon the terms and conditions set forth in this Section 1.4. The closing with respect to the purchase of Preferred Stock by the Company pursuant to this Section 1.4 shall be on a mutually determined closing date which shall not be more than 15 days after the date on which Loral's written notice referred to above is delivered to the Company. The closing shall be held at 10:00 A.M., local time, at the principal office of the Company, or at such other time or place as the parties mutually agree. On such closing date, the Company shall issue to Loral certificates representing the shares of Preferred Stock being sold, which shall be validly issued, fully paid and non-assessable and free and clear of any lien, claim or encumbrance. The purchase price shall be paid by Loral to the Company by wire transfer of immediately available funds no later than 2:00 P.M. on the closing date to the account designated in writing by the Company prior to such closing date. For purposes of this Section 1.4, (i) the term "Option Event Triggering Transaction" shall mean any transaction described in clauses (ii), (iii) or (iv) of Section 1.3(b) hereof, involving as parties, among others, the Company or any of its Affiliates (other than GTL and Globalstar), on the one hand, and either GTL or Globalstar or any of their respective Subsidiaries, on the other, (ii) the term "Option Event Trigger Price" shall mean a $6.00 per share cash purchase price, subject to adjustment pursuant to the provisions of Section 1.4(b) hereof, (iii) the term "Surviving Corporation" shall mean any successor to the rights and obligations of the Company as a result of or in connection with any Option Event Triggering Transaction, and (v) the term "Target Percentage" shall mean a percentage amount equal to the percentage of the Total Voting Power represented by the Equity Securities held by the Stockholders immediately prior to the closing of the Option Event Triggering Transaction; provided, however, that if there has occurred within the five days preceding such closing an event that diluted the Voting Power of the Equity Securities held by the Stockholders, the Target Percentage

shall be determined as of the date five days prior to the closing of such Option Event Triggering Transaction.

(b) Adjustment of Loral Option Event Trigger Price. The Option Event Trigger Price shall be equitably adjusted from time to time after the date hereof to take into account of any of the following events: (i) if the Company shall pay a dividend or make any other distribution with respect to any Equity Securities which is payable in the form of Equity Securities or in the form of any other Asset (other than normal, periodic cash dividends of the Company), (ii) if the Company shall subdivide its outstanding common stock, (iii) if the Company shall combine its outstanding common stock into a smaller number of shares, (iv) if the Company shall issue any shares of its capital stock in a

reclassification of the Common Stock (including any such reclassification in connection with a merger, consolidation or other business combination involving the Company), or (v) in any other similar transaction affecting the Company or the number or value of the outstanding Equity Securities. The parties acknowledge and agree that each such equitable adjustment shall preserve for Loral the economic benefits of the Loral option set forth in Section 1.4(a) above.

Section 1.5. Globalstar Warrant Put Option. In the event of any of the following transactions (each such transaction, a "Warrant Trigger Event"):

(i) any merger, consolidation, corporate reorganization or similar transaction involving Globalstar or GTL;

(ii) any sale, lease, exchange, transfer or other disposition, directly or indirectly, of all or substantially all of the assets of Globalstar or GTL; or

(iii) any liquidation or dissolution of Globalstar or GTL;

in which it is proposed that the Globalstar Warrants be converted into cash or the right to receive cash, or any other interest (or the right to receive any other interest) in Globalstar other than common stock thereof the Stockholders shall have the right (the "Limited Warrant Put") to require the Company to purchase the Globalstar

Warrants for a price equal to their Option Privilege Value (as defined below). The Stockholders may exercise the Limited Warrant Put by delivering to the Company, at least 10 days prior to the scheduled closing of the Warrant Trigger Event, a notice to such effect accompanied by appropriate documentation or certificates evidencing the Globalstar Warrants. The Option Privilege Price shall be payable by the Company 10 days after the determination thereof. As used herein, the term "Option Privilege Price" means the greater of (x) the consideration payable in respect of the Globalstar Warrants in the Warrant Trigger Event and (y) the hypothetical fair market value that would be assigned to the Globalstar Warrants at the date of the Warrant Trigger Event assuming (1) that no Warrant Trigger Event were to occur then or at any time prior to the expiration of the Globalstar Warrants, (2) that the Globalstar Warrants would remain outstanding until such expiration in accordance with their terms, exercisable for shares of or interests in the issuer thereof, and (3) that such issuer would remain a public company during such period. The Option Privilege Price shall be determined by an investment banking firm of national standing selected by agreement of the Company and the Stockholders or, failing such agreement, by agreement of Bear Stearns Co. Inc. and Lehman Brothers. Such investment banking firm shall, in determining the Option Privilege Price, give full effect to (i) the spread between the exercise price and the fair market value of the securities into which the Globalstar Warrants are exercisable and (ii) the value of the "option privilege" in the Globalstar Warrants (that is, the value of the right, without risking any capital, to speculate on and benefit from appreciation in the underlying securities).

ARTICLE II

TRANSFER RESTRICTIONS

2.1. Certain Transactions. Notwithstanding anything contained in this Agreement to the contrary, a Stockholder may without restriction:

(i) assign, pledge, mortgage, hypothecate, or otherwise encumber or transfer all or any of its

Equity Securities in connection with any bona fide financing arrangement entered into by such person or otherwise in connection with any indebtedness owed by such Stockholder; provided that in the event that the Stockholder in question defaults, the creditor's rights and obligations with respect to the voting and transfer of such Equity Securities and the registration thereof shall be the same as the Stockholder in question had under the provisions of this Agreement

and the creditor in question shall be deemed to be a Stockholder under this Agreement for such purposes;

(ii) transfer any Equity Securities to another Stockholder or any subsidiary or other Affiliate thereof (provided that such subsidiary or Affiliate agrees to be bound to the provisions of this Agreement, upon which such subsidiary or Affiliate shall be entitled to all rights and benefits, and shall be subject to all obligations, of a Stockholder under this Agreement);

(iii) transfer any Equity Securities pursuant to any registered public offering in connection with the provisions of Article III hereof or pursuant to the provisions of Rule 144 (or any similar provision then in force) under the Securities Act provided that such transfer under Rule 144 or any similar provision meets the volume restrictions set forth in Rule 144 as in effect on the date hereof; or

(iv) transfer any Equity Securities pursuant to any merger, consolidation, corporate reorganization, restructuring or any other similar transaction affecting the Company or pursuant to any involuntary transfer.

Section 2.2. Rights Pursuant to a Tender Offer. Each Stockholder (any such Stockholder shall, for purposes of this Section 2.2, be referred to as a "Tendering Stockholder") shall have the right to sell or exchange all its Equity Securities pursuant to a tender or exchange offer for the Equity Securities (an "Offer"). However, during the Term, prior to such sale or exchange, the Tendering Stockholder shall give the Company the opportunity to purchase such Equity Securities in the following manner:

(i) The Tendering Stockholder shall give notice (the "Tender Notice") to the Company in writing of its intention to sell or exchange Equity Securities in response to an Offer no later than three calendar days prior to the latest time (including any extensions) by which Equity Securities must be tendered in order to be accepted pursuant to such Offer, specifying the amount of Equity Securities proposed to be tendered by the Tendering Stockholder (the "Tendered Shares") and the purchase price per share specified in the Offer at the time of the Tender Notice.

(ii) If the Tender Notice is given, the Company shall have the right to purchase all, but not less than all, of the Tendered Shares exercisable by giving written notice (an "Exercise Notice") to the Tendering Stockholder at least two calendar days prior to the latest time after delivery of the Tender Notice by which Equity Securities must be tendered in order to be accepted pursuant to the Offer (including any extensions thereof) and depositing in any escrow or similar arrangement reasonably acceptable to the Tendering Stockholder, a sum in cash sufficient to purchase all Tendered Shares at the price then being offered in the Offer, without regard to any provision thereof with respect to proration or conditions to the offeror's obligation to purchase. The delivery by the Company of an Exercise Notice and deposit of funds as provided above will, except as provided below, constitute an irrevocable agreement by the Company to purchase, and the Tendering Stockholder to sell, the Tendered Shares in accordance with the terms of this Section 2.2, whether or not the Offer or any other tender or exchange offer (a "Competing Tender Offer") for Equity Securities that was outstanding during the Offer is consummated.

(iii) The purchase price to be paid by the Company for any Equity Securities purchased by it pursuant to this Section 2.2 shall be the highest price offered or paid in the Offer or in any Competing Tender Offer. For purposes hereof, the price offered or paid in a tender or exchange offer for Voting Shares shall be deemed to be the price offered or paid pursuant thereto, without regard to

any provisions thereof with respect to proration or conditions to the offeror's obligation to purchase. If the purchase price per share specified in the Offer includes any property other than cash (the "Offer Noncash Property"), the purchase price per share at which the Company shall be entitled to purchase all, but not less than all, of the Equity Securities specified in the Tender Notice shall be (y) the amount of cash per share, if any, specified in such Offer (the "Cash Portion"), plus (z)

an amount of cash per share equal to the value of the Offer Noncash Property per share (the "Cash Value of Offer Noncash Property"), as determined in good faith by the mutual agreement of the parties hereto, or if the parties cannot agree, by an independent, nationally recognized investment banking firm selected by the Tendering Stockholders and reasonably acceptable to the Company. If the Company exercises its right of first refusal by giving an Exercise Notice, the closing of the purchase of the Equity Securities with respect to such right (the "Closing") shall take place at 3:00 p.m., local time (or, if earlier, two hours before the latest time by which Equity Securities must be tendered in order to be accepted pursuant to the Offer), on the last day on which Equity Securities must be tendered in order to be accepted pursuant to the Offer (including any extensions thereof) (the "Last Tender Date"), and the Company shall pay the purchase price for the Equity Securities specified above. The Tendering Stockholder shall be entitled to rescind its Tender Notice at any time prior to the Last Tender Date by notice in writing to the Company; provided that if on or before the Last Tender Date, the Company publicly announces that the Company has approved, proposed or entered into an agreement with respect to (either individually or together with any other persons) a recapitalization, reorganization or business combination with respect to the Company or all or substantially all of its assets, or a self-tender offer, the Tendering Stockholder shall be entitled to rescind its Tender Notice by notice in writing to the Company at any time prior to the Closing on the Last Tender Date. If the Tendering Stockholder rescinds its Tender Notice pursuant to the immediately preceding sentence, the Company's Exercise Notice with respect to such Offer shall be

deemed to be immediately rescinded and the Tendering Stockholder's disposition of its Equity Securities in response to the Offer with respect to which the Tender Notice is rescinded or any other Offer shall again be subject to all of the provisions of this Section 2.2.

(iv) If the Company does not exercise its right of first refusal set forth in this Section 2.2 within the time specified for such exercise by giving an Exercise Notice, then the Tendering Stockholder shall be free to accept, for all its Equity Securities, the Offer with respect to which the Tender Notice was given or any Competing Tender Offer (including any increases and extensions thereof).

ARTICLE III

REGISTRATION RIGHTS

Section 3.1. Registration Upon Request.

(a) At any time commencing on the date hereof and continuing thereafter, each Stockholder (any such Stockholder, whether registering securities pursuant to this Section 3.1 or Section 3.2, shall be referred to as a "Registering Stockholder") shall have the right to make written demand upon the Company, on not more than five separate occasions (subject to the provisions of this Section 3.1), to register under the Securities Act, any common stock or other securities of the Company held by it (the securities subject to such demand hereunder or subject to the provisions of Section 3.2 being referred to in each case as the "Subject Securities"), and the Company shall use its best efforts to cause such securities to be registered under the Securities Act as soon as reasonably practicable so as to permit the sale thereof promptly; provided that each such demand shall cover at least _____ shares of Common Stock (subject to adjustment for stock splits, reverse stock splits, stock dividends and similar events after the date hereof). In connection therewith, the Company shall prepare, and as soon as reasonably practicable but in no event later than 90 days of the receipt of the request, file, on Form S-3 if permitted or otherwise on the appropriate form, a

registration statement under the Securities Act to effect such registration. Such registration shall be effected in accordance with the intended method or methods of disposition specified by the Registering Stockholders (including, but not limited to, an offering on a delayed or continuous basis pursuant to Rule 415 (or any successor rule to similar effect) promulgated under the Securities

Act). Each Registering Stockholder agrees to provide all such information and materials and to take all such action as may be reasonably required in order to permit the Company to comply with all applicable requirements of the Securities Act and the SEC and to obtain any desired acceleration of the effective date of such registration statement. If the offering to be registered is to be underwritten, the managing underwriter shall be selected by the Registering Stockholders and shall be reasonably satisfactory to the Company. Notwithstanding the foregoing, the Company (i) shall not be obligated to prepare or file more than one registration statement other than for purposes of a stock option or other employee benefit or similar plan during any twelve-month period, (ii) shall be entitled to postpone for a reasonable period of time (but in no event later than 60 days), the filing of any registration statement otherwise required to be prepared and filed by the Company if (A) the Company is, at such time, conducting or about to conduct an underwritten public offering of securities and is advised by its managing underwriter or underwriters in writing (with a copy to the Registering Stockholders), that such offering would, in its or their opinion, be materially adversely affected by the registration so requested, or (B) the Company determines in its reasonable judgment and in good faith that the registration and distribution of the Subject Securities would interfere with any announced or imminent material financing, acquisition, disposition, corporate reorganization or other material transaction of a similar type involving the Company. In the event of such postponement, the Registering Stockholders shall have the right to withdraw the request for registration by giving written notice to the Company within 20 days after receipt of the notice of postponement (and, in the event of such withdrawal, such request shall not be counted for purposes of determining the number of registrations to which the Registering Stockholders are entitled pursuant to this Section 3.1).

(b) The Company shall not grant to any other holder of its securities, whether currently outstanding or issued in the future, any incidental or piggyback registration rights with respect to any registration statement filed pursuant to a demand registration under this Section 3.1 and without the prior consent of the Registering Stockholders, the Company will not itself, and will not permit any other holder of its securities to, participate in any offering made pursuant to a demand registration under this Section 3.1. The Company may grant to other holders of its securities incidental or piggyback registration rights on a primary offering by the Company which are no more favorable to such holders than the provisions set forth in Section 3.2 are to the Stockholders. If the Registering Stockholders consents to the inclusion of offers and sales of any other securities in a registration pursuant to this Section 3.1 and the underwriter(s) retained in connection with such registration subsequently advise the Registering Stockholders that such offering would be adversely affected by the inclusion of such other securities, the Registering Stockholders may in their sole discretion exclude all or some of such securities from such registration.

(c) Any registration requested by any Registering Stockholder pursuant to this Section 3.1 shall not be deemed to have been effected (and, therefore, not requested for purposes of this Section 3.1), (i) unless it has become effective, (ii) if after it has become effective such registration is interfered with by any stop order, injunction or other order or requirement of the SEC or other governmental agency or court for any reason other than a misrepresentation or an omission by the Registering Stockholders and, as a result thereof, the Subject Securities requested to be registered cannot be completely distributed in accordance with the plan of distribution set forth in the related registration statement or (iii) if the closing pursuant to the purchase agreement or underwriting agreement entered into in connection with such registration does not occur. Any registration effected pursuant to Section 3.2 shall not be deemed to have been requested by a Registering Stockholder for purposes of this Section 3.1.

Section 3.2. Incidental Registration Rights. If the Company proposes to register any of its Equity Securities under the Securities Act for its own account

(other than (i) pursuant to Section 3.1 hereof, (ii) securities to be issued pursuant to a stock option or other employee benefit or similar plan, and (iii) securities proposed to be issued in exchange for securities or assets of, or in connection with a merger or consolidation with, another corporation), the

Company shall, as promptly as practicable, give written notice to the Registering Stockholders of the Company's intention to effect such registration. If, within 15 days after receipt of such notice, a Registering Stockholder submits a written request to the Company specifying the amount of Equity Securities that it proposes to sell or otherwise dispose of in accordance with this Section 3.2, the Company shall use its best efforts to include the securities specified in the Registering Stockholder's request in such registration. If the offering pursuant to such registration statement is to be made by or through underwriters, the managing underwriters shall be chosen by the Company and shall be reasonably satisfactory to the Registering Stockholders and the Company, and the Registering Stockholders and such underwriter shall execute an underwriting agreement in customary form. If the managing underwriter reasonably determines in good faith and advises the Registering Stockholders in writing that the inclusion in the registration statement of all the Equity Securities proposed to be included would interfere with the successful marketing of the securities proposed to be registered, then the Company and the Registering Stockholders shall negotiate in good faith to agree upon an equitable adjustment in the number or amount of securities of each to be included in such underwriting (provided that in the event that the Company and the Registering Stockholders are unable to agree upon an equitable adjustment in the number or amount of securities of each to be included in such underwriting, then the number of securities which the Company and the Registering Stockholders propose to register shall be reduced pro rata (based upon the respective market values of each party's respective share of the total number of securities proposed to be registered). No registration effected under this Section 3.2 shall relieve the Company of its obligation to effect any registration upon request under Section 3.1. If the Registering Stockholders are permitted to participate in a proposed offering pursuant to this Section 3.2, the Company thereafter may determine either not to file a registration statement relating thereto, or to withdraw such registration statement, or otherwise not

to consummate such offering, without any liability hereunder. Any underwriters participating in a distribution of the Subject Securities pursuant to Sections 3.1 and 3.2 hereof shall use all reasonable efforts to effect as wide a distribution as is reasonably practicable, and in no event shall any sale of Subject Securities be made knowingly to any person (including its Affiliates and any group in which that person or its Affiliates shall be a member, or the Registering Stockholders or the underwriters know of the existence of such a group or Affiliate) that, immediately prior to giving effect to any such sale, beneficially owned Equity Securities representing five percent (5%) or more of the Total Voting Power. The Registering Stockholders and the Company shall use all reasonable efforts to secure the agreement of the underwriters, in connection with any underwritten offering of its Equity Securities, to comply with the foregoing.

Section 3.3. Registration Mechanics. (a) In connection with any offering of Subject Securities registered pursuant to Section 3.1 or 3.2 herein, the Company shall (i) furnish to the Registering Stockholders such number of copies of any prospectus (including preliminary and summary prospectuses) and conformed copies of the registration statement (including amendments or supplements thereto and, in each case, all exhibits) and such other documents as any Registering Stockholder may reasonably request; (ii)(A) use its best efforts to register or qualify the Subject Securities covered by such registration statement under such blue sky or other state securities laws for offer and sale as the Registering Stockholders shall reasonably request and (B) keep such registration or qualification in effect for so long as the registration statement remains in effect; provided that the Company shall not be obligated to qualify to do business as a foreign corporation under the laws of any jurisdiction in which it shall not then be qualified or to file any general consent to service of process in any jurisdiction in which such a consent has not been previously filed or subject itself to taxation in any jurisdiction wherein it would not otherwise be subject to tax but for the requirements of this Section 3.3; (iii) use its best efforts to cause all Subject Securities covered by such registration statement to be registered with or approved by such other federal or state government agencies or authorities as may be necessary, in the opinion of counsel to the Registering Stockholders, to enable the

Registering Stockholders to consummate the disposition of such Subject Securities; (iv) notify the Registering Stockholders any time when a prospectus

relating thereto is required to be delivered under the Securities Act upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made, and (subject to the good faith determination of the Company's Board of Directors as to whether to permit sales under such registration statement), at the request of any Registering Stockholder promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, in light of the circumstances under which they were made; (v) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC; (vi) use its best efforts to list the Subject Securities covered by such registration statement on the New York Stock Exchange or on any other Exchange on which the Subject Securities are then listed, if required by the rules of any such Exchange; (vii) use its best efforts to obtain a "cold comfort" letter from the independent public accountants for the Company in customary form and covering matters of the type customarily covered by such letters as may be reasonably requested by the Registering Stockholders, in the event of a registration effected pursuant to Section 3.1 hereof; (viii) execute and deliver all instruments and documents (including in an underwritten offering an underwriting agreement in customary form) and take such other actions and obtain such certificates and opinions as the Registering Stockholders reasonably request in order to effect an underwritten public offering; and (ix) before filing any registration statement or any amendment or supplement thereto, and as far in advance as is reasonably practicable, furnish to each Registering Stockholder and its counsel copies of such documents. In connection with any offering of Subject Securities registered pursuant to Section 3.1 or 3.2, the Company shall (x) furnish to the

underwriter, if any, unlegended certificates representing ownership of the Subject Securities being sold in such denominations as requested and (y) instruct any transfer agent and registrar of the Subject Securities to release any stop transfer orders with respect to such Subject Securities. Upon any registration becoming effective pursuant to Section 3.1, the Company shall use its best efforts to keep such registration statement current for a period of 60 days (or 90 days, if the Company is eligible to use a Form S-3, or successor form) or such shorter period as shall be necessary to effect the distribution of the Subject Securities.

(b) Before filing with the SEC any registration statement referred to herein or any amendments or supplements thereto, the Company shall furnish to the Registering Stockholders or their respective counsel copies of all such documents proposed to be filed, in order to give the Registering Stockholders or their respective counsel sufficient time to review such documents, and such documents may thereafter be filed subject to any timely and reasonable comments of the Registering Stockholders or their respective counsel. The Company shall (i) deliver promptly to the Registering Stockholders or their respective counsel copies of all written communications between the Company and the SEC relating to the registration statement, and (ii) advise the Registering Stockholders or their respective counsel promptly of, and provide the Registering Stockholders or their respective counsel with the opportunity to participate in (to the extent reasonably practicable), all telephonic and other non-written communications between the Company and the SEC relating to such registration statement. The Company shall respond promptly to any comments from the SEC with respect thereto, after consultation with the Registering Stockholders or their respective counsel, and shall take such other actions as shall be reasonably required in order to have each such registration statement declared effective under the Securities Act as soon as reasonably practicable following the date hereof.

(c) Each Registering Stockholder agrees that upon receipt of any notice from the Company of the happening of any event of the kind described in subdivision (iv) of this Section 3.3, it will forthwith discontinue its disposition of Subject Securities pursuant to the registration statement relating to such Subject Securi-

ties until its receipt of the copies of the supplemented or amended prospectus contemplated by subdivision (iv) of this Section 3.3 and, if so directed by the Company, will deliver to the Company all copies (other than permanent file copies) then in its possession of the prospectus relating to such Subject Securities current at the time of receipt of such notice. If any Registering Stockholder's disposition of Subject Securities is discontinued pursuant to the foregoing sentence unless the Company thereafter extends the effectiveness of the registration statement to permit dispositions of Subject Securities by the Registering Stockholder for an aggregate of 60 days (or 90 days, if the Company is eligible to use a Form S-3, or successor form), whether or not consecutive, the registration statement shall not be counted for purposes of determining the number of registrations to which the Registering Stockholders are entitled pursuant to Section 3.1.

Section 3.4. Expenses. The Registering Stockholders shall pay all agent fees and commissions and underwriting discounts and commissions related to Subject Securities being sold by the Registering Stockholders and the fees and disbursements of its counsel and accountants and the Company shall pay all fees and disbursements of its counsel and accountants in connection with any registration pursuant to this Article III. All other fees and expenses in connection with any registration statement (including, without limitation, all registration and filing fees, all printing costs, all fees and expenses of complying with securities or blue sky laws) shall (i) in the case of a registration pursuant to Section 3.1, be borne equally by the Registering Stockholders and the Company and (ii) in the case of a registration pursuant to Section 3.2, be shared pro rata based upon the respective market values of the securities to be sold by theCompany, the Registering Stockholders and any other holders participating in such offering; provided that the Registering Stockholders shall not be obligated to pay any expenses relating to work that would otherwise be incurred by the Company including, but to limited to, the preparation and filing of periodic reports with the SEC.

Section 3.5. Indemnification and Contribution. (a) In the case of any offering registered pursuant to this Article III, the Company agrees to indemnify and hold each Registering Stockholder, each underwriter, if

any, of the Subject Securities under such registration and each person who controls any of the foregoing within the meaning of Section 15 of the Securities Act, and any officer, employee or partner of the foregoing, harmless against any and all losses, claims, damages, or liabilities (including reasonable legal fees and other reasonable expenses incurred in the investigation and defense thereof) to which they or any of them may become subject under the Securities Act or otherwise (collectively "Losses"), insofar as any such Losses shall arise out of or shall be based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement relating to the sale of such Subject Securities (as amended if the Company shall have filed with the SEC any amendment thereof), or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (ii) any untrue statement or alleged untrue statement of a material fact contained in the prospectus relating to the sale of such Subject Securities (as amended or supplemented if the Company shall have filed with the SEC any amendment thereof or supplement thereto), or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the indemnification contained in this Section 3.5 shall not apply to such Losses which shall arise primarily out of or shall be based primarily upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, which shall have been made in reliance upon and in conformity with information furnished in writing to the Company by the Registering Stockholders or any such underwriter, as the case may be, specifically for use in connection with the preparation of the registration statement or prospectus contained in the registration statement or any such amendment thereof or supplement therein.

(b) In the case of each offering registered pursuant to this Article III, the Registering Stockholders and each underwriter, if any, participating therein shall agree, substantially in the same manner and to the same extent as set forth in the preceding paragraph, severally to indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, and the

directors and executive officers of the Company, with respect to any statement in or omission from such registration statement or prospectus contained in such registration statement (as amended or as supplemented, if amended or supplemented as aforesaid) if such statement or omission shall have been made in reliance upon and in conformity with information furnished in writing to the Company by the Registering Stockholders or such underwriter, as the case may be, specifically for use in connection with the preparation of such registration statement or prospectus contained in such registration statement or any such amendment thereof or supplement thereto.

(c) Each party indemnified under this Section 3.5 shall, promptly after receipt of notice of the commencement of any claim ("Claim") against such indemnified party in respect of which indemnity may be sought hereunder, notify the indemnifying party in writing of the commencement thereof. The failure of any indemnified party to so notify an indemnifying party shall not relieve the indemnifying party from any liability in respect of such Claim which it may have to such indemnified party on account of the indemnity contained in this Section 3.5, unless (and only in the event) the indemnifying party was materially prejudiced by such failure, and in no event shall such failure relieve the indemnifying party from any other liability which it may have to such indemnified party. In case any Claim in respect of which indemnification may be sought hereunder shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may desire, jointly with any other indemnifying party similarly notified, to assume the defense thereof through counsel reasonably satisfactory to the indemnified party by notifying the indemnified party in writing of such election within 10 days after receipt of the indemnified party's initial notice of the Claim, and after such notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 3.5 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, other than reasonable costs of investigation (unless such indemnified party reasonably objects to such assumption on the

grounds that there may be defenses available to it which are different from or in addition to those available to such indemnifying party in which event the indemnified party shall be reimbursed by the indemnifying party for the reasonable expenses incurred in connection with retaining separate legal counsel). If the indemnifying party undertakes to defend against such Claim within such 10-day period, the indemnifying party shall control the investigation, defense and settlement thereof; provided that (i) the indemnifying party shall use its reasonable efforts to defend and protect the interests of the indemnified party with respect to such Claim, (ii) the indemnified party, prior to or during the period in which the indemnifying party assumes control of such matter, may take such reasonable actions as the indemnified party deems necessary to preserve any and all rights with respect to such matter, without such actions being construed as a waiver of the indemnified party's rights to defense and indemnification pursuant to this Agreement, and (iii) the indemnifying party shall not, without the prior written consent of the indemnified party, consent to any settlement which (A) imposes any Liabilities on the indemnified party (other than those Liabilities which the indemnifying party agrees to promptly pay or discharge), and (B) with respect to any non-monetary provision of such settlement, would be likely, in the indemnified party's reasonable judgment, to have an adverse effect on the business operations, assets, properties or prospects of any Stockholder (in the event that a Registering Stockholder or any of its Affiliates is the indemnified party), or the Company (in the event that the Company is an indemnified party), or such indemnified party. If the indemnifying party does not undertake within such 10-day period to defend against such Claim, then the indemnifying party shall have the right to participate in any such defense at its sole cost and expense, but the indemnified party shall control the investigation, defense and settlement thereof (provided that the indemnified party may not settle any such Claim without obtaining the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld by the indemnifying party; provided that in the event that the indemnifying party is in material breach at such time of the provisions of this Section 3.5, then the indemnified party shall not be obligated to obtain such prior written consent of the indemnifying party) at the reasonable cost and expense of the indemnifying party

(which shall be paid by the indemnifying party promptly upon presentation by the indemnified party of invoices or other documentation evidencing the amounts to be indemnified). In addition to the foregoing, no indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which the indemnified party could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability arising out of such claim or proceeding.

(d) If the indemnification provided for in this Section 3.5 is unavailable to an indemnified party or is insufficient to hold such indemnified party harmless from any Losses in respect of which this Section 3.5 would otherwise apply by its terms (other than by reason of exceptions provided herein), then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have a joint and several obligation to contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative benefits received by and fault of the indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the offering to which such contribution relates as well as any other relevant equitable considerations. The relative benefit shall be determined by reference to, among other things, the amount of proceeds received by each party from the offering to which such contribution relates. The relative fault shall be determined by reference to, among other things, each party's relative knowledge and access to information concerning the matter with respect to which the claim was asserted, and the opportunity to correct and prevent any statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include any legal or other fees or expenses incurred by such party in connection with any investigation or proceeding, to the extent such party would have been indemnified for such expenses if the indemnification provided for in this Section 3.5 was available to such party.

(e) The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 3.5 were determined by pro rata allocation or by

any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

Section 3.6. Rule 144. The Company covenants that it will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Stockholder, make publicly available other information), and it will take such further action as any Stockholder may reasonably request, all to the extent required from time to time to enable such Stockholder to sell Subject Securities without registration under the Securities Act within the limitation of the exemptions provided by (i) Rule 144 under the Securities Act, as such Rule may be amended from time to time, or (ii) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any Stockholder, the Company will deliver to such Stockholder a written statement as to whether it has complied with such requirements.

SECTION 3.7. Holdback Agreement. The Company agrees that it and its Affiliates will not effect any sale, offer for sale, or grant any option to purchase any shares of common stock (or securities convertible into or exchangeable or exercisable for common stock) (collectively, "Sales") during the 10-day period prior to, and the 90-day period (or such longer period, not to exceed 120 days, as the managing underwriter(s) therefor determines) beginning on the effective date of a registration statement filed pursuant to Section 3.1 without the consent of such managing underwriter(s). The Stockholders agree not to effect any Sales during the 10-day period prior to, and the 90-day period (or such longer period, not to exceed 120 days, as the managing underwriter(s) therefor determines) beginning on the effective date of a registration statement

relating to a primary offering (other than one described in clauses (i), (ii) or (iii) of the first sentence of Section 3.2 hereof) without the consent of such managing underwriter(s); provided that this sentence shall be of no force and

effect if the Company effects a Sale or files any registration statement for the benefit of any other party during such 120-day period.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties of the Company. The Company hereby represents and warrants to each of the Stockholders as follows:

(a) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement are within its corporate powers and have been duly authorized by all necessary corporate action on its part. This Agreement constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, (i) except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(b) The execution, delivery and performance of this Agreement by the Company does not and will not contravene or conflict with or constitute a default under the Company's Certificate of Incorporation or By-laws or any of its material Contracts.

(c) Immediately after giving effect to both the Restructuring and the Distribution (including, without limitation, after giving effect to the distribution of shares of Spinco Common Stock to the holders of common stock of Loral and the holders of options with respect to common stock of Loral, who or which may be entitled to receive shares of Spinco Common Stock pursuant to or in connection with the Distribution Agreement, the Merger Agreement or

otherwise), (i) the Company's authorized capital stock shall consist of _____ shares of Spinco Common Stock and _____ shares of Preferred Stock, of which _____ shares of Spinco Common Stock and _____ shares of Preferred Stock shall be issued and outstanding, (ii) Loral will be the record and beneficial owner of _____ shares of Preferred Stock, all of which will be validly issued and fully paid and nonassessable and all of which will be free of all Liens, (iii) except for the shares of Spinco Common Stock and the shares of Preferred Stock specified in clause (i) above, there will be no other Equity Securities, and (iv) the Wing Stockholders will hold, in the aggregate, at least twenty percent (20%) of the Total Voting Power.

ARTICLE V

TERM

Section 5.1. Term. The term (the "Term") of this Agreement shall commence on the date hereof and shall continue until the earlier of (x) the date on which the Voting Power of the Equity Securities, on a fully diluted basis, beneficially owned by Loral and its Affiliates shall represent less than five percent (5%) of the Total Voting Power, (y) the seventh anniversary of the date hereof, or (z) a Change of Control (as defined in Section 1.1(c) above). Upon expiration of the Term, the provisions of this Agreement shall terminate, and be of no further force or effect, automatically without any further action on the part of any parties hereto; provided that the provisions of Articles III and VI shall continue without regard to the term limitation set forth in this sentence;

provided further that no such termination shall relieve any party of any liability to the other parties hereto, to the extent such liability is incurred prior to the expiration of the Term.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Certain Restrictions. The Company shall not take or recommend to its stockholders any action, including any amendment of its Certificate of Incorporation, By-laws or stockholder rights plan, if any, which would impose restrictions applicable to Loral and not to other securityholders generally based upon the size of Loral' security holdings, the business in which it is engaged or other considerations applicable to it and not to securityholders generally. In addition, the Company shall not take or recommend to its stockholders any action, including any amendment of its Certificate of Incorporation, By-laws or stockholder rights plan, if any, which would likely adversely affect in any material respect, either directly or indirectly, any of the rights or obligations of the Stockholders under the provisions of this Agreement.

The Stockholders agree that the Company may adopt a stockholders rights plan similar to the stockholders rights plan adopted by Loral except that Loral (and its Affiliates and associates) shall not be deemed to be an "Acquiring Person" unless Loral and its Affiliates become the beneficial owner of 25% or more of the outstanding shares of common stock of the Company.

Section 6.2. Entire Agreement. This Agreement and the Restructuring Agreement (including the schedules and exhibits and the agreements and other documents referred to therein, including, without limitation, the Tax Sharing Agreement and the Transition Services Agreements) constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all other prior negotiations, commitments, agreements and understandings, both written and oral, between the parties or any of them with respect to the subject matter hereof.

Section 6.3. Fees and Expenses. Except as otherwise provided in this Agreement, all costs and expenses incurred by the Stockholders and the Company in connection with consummating such party's obligations

hereunder or otherwise shall be paid by the party incurring such cost or expense.

Section 6.4. Access to Information. During the Term, the Company shall provide to each Stockholder reasonable access to the books and records of the Company and its subsidiaries during the regular business hours of the Company and such subsidiaries, following the Company's receipt of a written notice from such Stockholder requesting such access; provided that the Company shall not be required to provide any confidential information if the Company reasonably determines that the providing of such information would result in (x) a violation of applicable antitrust laws or (y) create a substantial likelihood of a significant adverse effect on the Company; provided, further, that the Stockholder shall keep confidential any confidential information disclosed to it except as required by law, service of process, interrogatories, or similar legal process, and except for any such information which becomes publicly available through no fault of the Stockholder.

Section 6.5. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES THEREOF (EXCEPT IN THOSE CIRCUMSTANCES WHERE THE CORPORATE LAW OF THE COMPANY'S JURISDICTION OF ORGANIZATION REQUIRES THE APPLICATION OF THE LAW OF THE COMPANY'S JURISDICTION OF ORGANIZATION WITH RESPECT TO A PARTICULAR MATTER).

Section 6.6. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand or (c) the expiration of five Business Days after the day when mailed by certified or registered mail,

postage prepaid, addressed at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to any of the Stockholders, to:

Loral Corporation
c/o Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817
Telephone: (301) 897-6125
Telecopy No.: (301) 897-6333
Attention: General Counsel

and to:

Skadden, Arps, Slate, Meagher
& Flom
919 Third Avenue
New York, New York 10022
Telephone: (212) 735-3000
Telecopy No.: (212) 735-2000
Attention: Peter Allan Atkins, Esq.
Lou R. Kling, Esq.

and to:

O'Melveny & Myers
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 326-2000
Telecopy No.: (212) 326-2160
Attention: C. Douglas Kranwinkle, Esq.
Jeffrey J. Rosen, Esq.

(b) If to the Company, to:

Loral Space & Communications Corporation
600 Third Avenue
New York, New York
Telephone: (212) 697-1105
Telecopy No.: (212) 602-9805
Attention: General Counsel

with a copy to:

Willkie Farr & Gallagher
153 E. 53rd Street
New York, New York 10022
Telephone: (212) 821-8000
Telecopy No.: (212) 821-8111
Attention: Robert B. Hodes, Esq.
Bruce R. Kraus, Esq.

In addition to providing any notice required to be given by the Company pursuant to its Certificate of Incorporation in the manner specified therein, the Company shall send to each Stockholder by telecopy in accordance with this Section 6.6 a copy of each such notice.

Section 6.7. Successors and Assigns; Reclassifications; No Third Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto (whether by operation of law or otherwise) without the prior written consent of the other parties hereto (which consent may not be unreasonably withheld), except that any party shall have the right, without the consent of any other party hereto, to assign all or a portion of its rights, interests and obligations hereunder to one or more direct or indirect subsidiaries, but no such assignment of obligation shall relieve the assigning party from its

responsibility therefor. In the event of any recapitalization or reclassification of any Equity Securities, or any merger, consolidation or other transaction with like effect, the securities issued in replacement or exchange for such Equity Securities shall be deemed Equity Securities hereunder. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement; provided that the indemnified parties referred to in Section 3.5 hereof are intended to be third party beneficiaries of the provisions of Section 3.5 hereof, and shall have the right to enforce such provisions as if they were parties hereto.

Section 6.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 6.9. Further Assurances. Each party hereto or person subject hereto shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments and documents as any other party hereto or person subject hereto may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Section 6.10. Interpretation. The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. Unless otherwise specified in this Agreement, all references in this Agreement to "days" shall be deemed to be references to calendar days.

Section 6.11. Legal Enforceability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remaining provisions hereof. Any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

Section 6.12. Consent to Jurisdiction. Each of the parties hereto irrevocably and unconditionally (a) agrees that all suits, actions or other legal proceedings arising out of this Agreement or any of the transactions contemplated hereby (a "Suit") shall be brought and adjudicated solely in the United States District Court for the District of Delaware, or, if such court will not accept jurisdiction, in the Delaware Chancery Court or any court of competent civil jurisdiction sitting in New Castle County, Delaware, (b) submits to the non-exclusive jurisdiction of any such court for the purpose of any

such Suit and (c) waives and agrees not to assert by way of motion, as a defense or otherwise in any such Suit, any claims that it is not subject to the jurisdiction of the above courts, that such Suit is brought in an inconvenient forum or that the venue of such Suit is improper. Each of the parties hereto also irrevocably and unconditionally consents to the service of any process, summons, pleadings, notices or other papers in a manner permitted by the notice provisions of Section 6.6 hereof and agrees that any such form of service shall be effective in connection with any such Suit; provided that nothing contained in this Section 6.12 shall affect the right of any party to serve process, pleadings, notices or other papers in any other manner permitted by applicable Law.

Section 6.13. Specific Performance. Each of the parties hereto acknowledges and agrees that in the event of any breach of this Agreement, each non-breaching party would be irreparably and immediately harmed and could not be made whole by monetary damages. It is accordingly agreed that the parties hereto (a) will waive, in any action for specific performance, the defense of adequacy of a remedy at law and (b) shall be entitled, in addition to any other remedy to which they may be entitled at law or in equity, to compel specific performance of this Agreement in any action instituted in any court referred to

in Section 6.12 hereof.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the day and year first above written.

LORAL CORPORATION

By:_____
Name:
Title:

LORAL SPACE & COMMUNICATIONS CORPORATION

By:_____
Name:
Title:

EXHIBIT A-1

GLOBALSTAR WARRANT - SUMMARY TERM SHEET - PRINCIPAL TERMS

Reference is hereby made to (x) the Restructuring, Financing and Distribution Agreement dated as of January 8, 1996 (the "Restructuring Agreement") among Lockheed Martin Corporation, Loral Corporation, Spinco and the other parties thereto, and (y) the Globalstar Warrant Memorandum (as defined in the Restructuring Agreement). All capitalized terms which are not otherwise defined herein shall have the meanings ascribed to such terms in the Restructuring Agreement.

Issuer: Globalstar Telecommunications Limited or, if not available, Globalstar L.P. (the "Company").

Issued To: Guarantors

No. of Shares: As set forth in the Globalstar Warrant Memorandum, subject to adjustment based on the antidilution provisions described below. (If issuer is Globalstar L.P., the term "shares" will refer to L.P. interests.)

Warrant Exercise Price: As set forth in the Globalstar Warrant Memorandum, subject to adjustment based on the antidilution provisions described below.

Acceleration of Vesting: In the event the Company merges with or into another company (unless the warrants continue to represent the rights to purchase equity in the surviving company on the same terms, except for equitable adjustment of price and number of shares purchasable), sells all or substantially all of its assets, liquidates, etc., the Company must give notice to the holder prior to the consummation of the transaction and must give the holder the option of exercising the warrant prior to consummation of such transaction.

Antidilution Events:

- Stock Splits, Recaps, etc. - will result in increased number of Warrant Shares (unless reverse split, etc.)
- Rights, Options, Warrants, Convertible Securities - will result in increased number of Warrant Shares pursuant to a prescribed formula, but only to the extent that such shares, rights, options, warrants or convertible securities are issued or distributed generally to all holders of the Common Stock.
- Issuance of Common Stock at Lower Values - if shares are issued

below the then current fair market value of such shares, adjustment will be made on a proportionate basis pursuant to a prescribed formula, but only to the extent that such shares, rights, options, warrants or

convertible securities are issued or distributed generally to all holders of the Common Stock.

. Extraordinary Distributions/Stock Dividends -extraordinary cash dividends (over 10% of current market value on record date), distributions of properties, assets, etc. in partial liquidation and stock dividends will result in adjustment.

. Distributions of Debt - Warrant Shares subject to adjustment in accordance with a prescribed formula.

. Distributions includes repurchases and redemptions.

Registration Rights on Warrant Shares: Customary

EXHIBIT B

WF&G Draft
1/8/96

CERTIFICATE OF DESIGNATION

OF

SERIES A NON-VOTING CONVERTIBLE PREFERRED STOCK

OF

LORAL TELECOMMUNICATIONS ACQUISITION, INC.

Pursuant to Section 151(g) of the
General Corporation Law of the State of Delaware

The undersigned, Senior Vice President of Loral Telecommunications Acquisition, Inc., a Delaware corporation (the "Corporation"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, hereby certifies that pursuant to authority vested in the Board of Directors of the Corporation by the provisions of its Certificate of Incorporation, the Board of Directors has duly adopted the following resolution creating a series of Preferred Stock of the Corporation designated as the Series A Non-Voting Convertible Preferred Stock:

WHEREAS, the Certificate of Incorporation of the Corporation authorizes _____ shares of capital stock, of which 1,000 shares are authorized as Common Stock, $.01 par value per share ("Common Stock"), and _____ shares are authorized as Preferred Stock, $.01 par value per share ("Preferred Stock"); and

WHEREAS, the Certificate of Incorporation of the Corporation authorizes the Board of Directors to provide for the issuance of shares of Preferred Stock in series and to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof;

NOW, THEREFORE, BE IT RESOLVED, that, pursuant to the Certificate of Incorporation, the Board of Directors hereby fixes the designation and preferences and relative rights, qualifications, limitations and restrictions of a series of Preferred Stock.

RESOLVED, that each share of Preferred Stock described herein shall rank equally in all respects and shall be subject to the following provisions:

(1) Number and Designation. _____ shares of Preferred Stock of the

Corporation shall be designated as Series

A Non-Voting Convertible Preferred Stock (the "Series A Preferred Stock").

(2) Dividends and Distributions. (a) Subject to paragraphs (2)(b) and (4) below, the Corporation shall pay, and the holders of shares of Series A Preferred Stock shall be entitled to receive, and to share equally and ratably, share for share with the Common Stock, in such dividends and distributions on the Common Stock or the Series A Preferred Stock as may be declared from time to time by the Board of Directors, whether payable in cash, property or securities of the Corporation. The record date for determining the holders of Series A Preferred Stock entitled to receive dividends and distributions shall be the same as the record date for determining the holders of Common Stock entitled to receive dividends and distributions. Dividends and distributions shall be paid to the holders of Series A Preferred Stock entitled to receive such dividends and distributions at the close of business on the date on which such dividends and distributions are paid or made by the Corporation in respect of the Common Stock.

(b) In the event that the Corporation declares and pays a dividend or makes any distribution on its Common Stock in the form of (x) shares of additional Common Stock, (y) options, warrants or rights to acquire Common Stock or (z) other securities of the Corporation convertible into or exchangeable for Common Stock, the holders of the Series A Preferred Stock shall receive in lieu of such securities: (1) an equal number of shares of additional Series A Preferred Stock, in the case of clause (x) above; (2) options, warrants or rights to acquire an equal number of additional shares of Series A Preferred Stock on terms otherwise identical to such options, warrants or rights distributed to the holders of Common Stock, in the case of clause (y) above; and (3) securities convertible into or exchangeable for an equal number of shares of Series A Preferred Stock on terms otherwise identical to the convertible or exchangeable securities distributed to the holders of Common Stock, in the case of clause (z) above.

(c) All dividends or distributions paid with respect to shares of the Series A Preferred Stock shall be paid pro rata to the holders entitled thereto.

(d) Each fractional share of Series A Preferred Stock outstanding shall be entitled to a ratable proportionate amount of all dividends and other distributions accruing, paid or made with respect to each outstanding share of Series A Preferred Stock and all such dividends and other distributions with respect to such outstanding fractional shares shall be payable in the same manner and at such times as provided for in paragraphs (2)(a), (2)(b) and (4) hereof with respect to dividends and other distributions on each outstanding share of Series A Preferred Stock.

(3) Voting Rights. (a) Except as otherwise set forth herein and as otherwise provided by law, the holders of the Series A Preferred Stock shall not be entitled to vote on any matter relating to the business or affairs of the Corporation and shall not be included in determining the number of Shares voting or entitled to vote on any such matters.

(b) Notwithstanding the foregoing, each issued and outstanding share of Series A Preferred Stock shall be entitled to one vote for each share of Common Stock into which such share of Series A Preferred Stock is convertible, and shall be included as aforesaid in the number of shares voting and entitled to vote with respect to the following matters presented to the stockholders of the Corporation for their action or consideration:

i) any amendment to or modification or repeal of any provision of the Corporation's Certificate of Incorporation or By-laws (or similar organizational documents);

ii) any merger, consolidation, corporate reorganization or similar transaction involving the Corporation;

iii) any sale, lease, exchange, transfer or other disposition, directly or indirectly, in a single transaction or series of related transactions, of all or substantially all of the assets of the Corporation or any of its Affiliates;

iv) any plan or proposal for the liquidation or dissolution of the Corporation or any assignment by the Corporation for the benefit of creditors, or any filing by the Corporation of a petition in bankruptcy; or

v) any restructuring, extension, modification, substitution, refinancing or amendment of any indebtedness of the Corporation.

Except as otherwise provided herein or by law, the holders of the Series A Preferred Stock shall vote together with the holders of the Common Stock as a single class.

(c) In addition to the voting rights set forth above, the consent of the holders of at least a majority of the shares of the Series A Preferred Stock at the time outstanding, voting together as a single class, shall be necessary for any amendment to the Certificate of Incorporation or By-laws of the Corporation, if such amendment would adversely affect the rights, powers, privileges or preferences of the Series A Preferred Stock.

(4) Rights on Liquidation. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of the Series A Preferred Stock then outstanding shall be entitled

to receive, prior and in preference to any distribution of any of the assets of the Corporation to the holders of the Common Stock by reason of their ownership thereof, an amount equal to $.01 per share for each outstanding share of Series A Preferred Stock. If upon the occurrence of such event the assets thus distributed among the holders of the Series A Preferred Stock shall be insufficient to permit the payment to such holders of the full preferential amount, the entire assets of the Corporation legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Stock. After the payment or distribution to the holders of the Series A Preferred Stock of such preferential amount, the holders of the Series A Preferred Stock and the Common Stock then outstanding shall be entitled to receive ratably (based, in the case of the Series A Preferred Stock, on the number of shares of Common Stock into which such Series A Preferred Stock was last convertible) all remaining assets of the Corporation to be distributed.

(5) Conversion. (a) Each share of Series A Preferred Stock may be converted, at the option of the holder thereof, at any time (i) after the HSR Clearance Date or (ii) upon the transfer (in accordance with the provisions of the Stockholders Agreement) of such share of Series A Preferred Stock to a Person other than a Stockholder or any Affiliate thereof, in the manner hereinafter provided, into one (subject to any adjustment required below) fully paid and nonassessable share of Common Stock; provided, however, that on any liquidation of the Corporation, the right of conversion shall terminate at the close of business on the business day immediately preceding the date fixed for the payment of any amounts distributable on liquidation to the holders of the Series A Preferred Stock.

(b) Each conversion of shares of Series A Preferred Stock into shares of Common Stock shall be effected by the prior written notice thereof by the holder of the Series A Preferred Stock and the surrender of the certificates representing the shares to be converted at the principal office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holders of the Series A Preferred Stock as shown on the books of the Corporation) at any time during normal business hours. Such notice shall state the name or names (with addresses) and denominations in which the certificate or certificates for such shares of Common Stock are to be issued and shall include instructions for reasonable delivery thereof. Each conversion shall be deemed to have been effected as of the close of business on the date on which such certificates have been surrendered and such notice has been received. At such time, the rights of the holder of the surrendered Series A Preferred Stock as such holder shall cease, and the Person in whose name the certificates for shares of Common Stock will be issued upon such conversion shall be deemed to have become the holder of record of the Common Stock represented thereby.

(c) Promptly after the surrender of the certificates and the receipt of written notice, the Corporation shall issue and deliver in accordance with the

surrendering holder's instructions (i) the certificates for the shares of Common Stock issuable upon such conversion and (ii) certificates representing any surrendered shares of Series A Preferred Stock which were delivered to the Corporation in connection with such conversion but which were not requested to be converted and, therefore, were not converted.

(d) The issuance of certificates for Common Stock upon conversion of Series A Preferred Stock shall be made without charge to the holders of such shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Common Stock; provided that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any certificate in a name other than that of the holder of the Series A Preferred Stock being converted.

(e) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of issuance upon the conversion of the Series A Preferred Stock, such number of shares of Common Stock issuable upon conversion of all outstanding Series A Preferred Stock. All shares of Common Stock which are so issuable shall, when issued, be duly and validly issued fully paid and nonassessable and free from all taxes, liens and charges. The Corporation shall take all such actions as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or governmental regulation or any requirement of any domestic securities exchange upon which shares of Common Stock may be listed (except for official notice of issuance which shall be immediately transmitted by the Corporation upon issuance).

(f) The Corporation shall not close its books against the transfer of shares of Series A Preferred Stock in any manner which would interfere with the timely conversion of any shares of Series A Preferred Stock. The Corporation shall assist and cooperate with any holder of Series A Preferred Stock required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of Series A Preferred Stock hereunder (including, without limitation, making any filings required to be made by the Corporation).

(6) Stock Splits; Adjustments. (a) If the Corporation shall in any manner subdivide (by stock split, stock dividend or otherwise) or combine (by reverse stock split or otherwise) the outstanding shares of Common Stock, the outstanding shares of the Series A Preferred Stock shall be proportionately subdivided or combined, as the case may be, and effective provision shall be made for the protection of all

conversion and voting rights of the Series A Preferred Stock hereunder.

(b) If the Corporation shall issue any shares of its capital stock in a reclassification of the Common Stock (including any such reclassification in connection with a merger, consolidation or other business combination involving the Corporation), or in any other similar transaction affecting the Corporation or the number or value of Common Stock outstanding, effective provision shall be made for the protection of all conversion and voting rights of the Series A Preferred Stock hereunder.

(7) General Provisions. (a) The term "Affiliate" as used herein shall have the meaning set forth in the Stockholders Agreement.

(b) The term "Antitrust Authority" as used herein shall have the meaning set forth in the Stockholders Agreement.

(c) The terms "HSR Clearance Date" and "HSR Act" as used herein shall have the meanings set forth in the Stockholders Agreement.

(d) The term "Person" as used herein means an individual or a corporation, partnership, association, trust or any other entity or organization.

(e) The term "outstanding," when used herein with reference to shares of stock, shall mean issued shares, excluding shares held by the Corporation.

(f) The term "Stockholders Agreement" as used herein means that certain Stockholders Agreement, dated as of _____, 1996, by and among Loral

Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp. and Loral Telecommunications Acquisition, Inc.

(g) The term "Stockholders" as used herein shall have the meaning set forth in the Stockholders Agreement.

(h) The headings of the paragraphs, subparagraphs, clauses and subclauses of this Certificate of Designation are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

(i) Subject to Section 3 hereof, any right, preference, privilege or power of, or restriction provided for the benefit of, the Series A Preferred Stock set forth herein may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively) with the written consent of the Corporation and the consent of the holders of not less than a majority of the shares of Series A Preferred Stock then outstanding, and any

amendment or waiver so effected shall be binding upon the Corporation and all holders of Series A Preferred Stock.

IN WITNESS WHEREOF, the undersigned, Senior Vice President of Loral Telecommunications Acquisition, Inc., has signed this Certificate of Designation this ___ day of _____, 1996 and affirms under penalties of perjury that it is the act and deed of the Corporation and that the facts stated herein are true.

LORAL TELECOMMUNICATIONS
ACQUISITION, INC.

By:_____
Michael B. Targoff
Senior Vice President

EXHIBITS B & C

1. Broad indemnification provisions

2. Limitations on and methods for changing size of the board

3. Limitations on shareholder rights to:

   A. act by written consent

   B. call special meetings

   C. fill board vacancies

   D. nominate directors

   E. propose actions that would facilitate change of control

   F. remove directors

4. Lock-ins (supermajority provisions for amending charter and by-laws)

5. Shareholder rights plan (Poison pill)

6. Staggered board

EXHIBIT D

A shareholder rights plan substantially identical to that of the

shareholder rights plan adopted by Loral (as submitted to and approval by the Board of Directors of Loral prior to the date hereof) except that Loral and its affiliates and its associates shall not be deemed to be an "Acquiring Person" unless Loral and its affiliates become the beneficial owner of 25% or more of the outstanding shares of common stock (including securities convertible or exercisable into common stock) of the Company, together with such other changes to the shareholder rights plan as the parties may reasonably agree.

EXHIBIT E TO DISTRIBUTION AGREEMENT

1. The Company Pension Plans

2. The Company Savings Plans

3. The Prior Welfare Plans

4. The SERP

EXHIBIT 99.2

Press release of the Registrant and Loral Corporation dated January 8, 1996.

LOCKHEED MARTIN AND LORAL
AGREE TO STRATEGIC COMBINATION

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

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

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

Total Transaction Has Estimated Value In Excess of $10
Billion

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

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

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

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

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

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

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

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

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

"The strategic combination with Loral solidifies Lockheed Martin's leadership position as a world premier high technology company," said Tellep. "It enhances our technology base, improves our competitiveness, expands our global reach and provides new opportunities for growth. With some $30 billion in

annual sales and a broad portfolio of businesses spanning aerospace, defense, commercial and civil programs, we are well positioned for the 21st century. Our shareholders, customers and employees will benefit from this landmark event."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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