

IN THE MATTER OF

LOCKHEED MARTIN CORPORATION

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SEC. 7 OF THE CLAYTON ACT AND SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-3685. Complaint, Sept. 19, 1996--Decision, Sept. 19, 1996

This consent order requires Lockheed Martin, a Maryland-based corporation, among other things, to divest an air traffic control system-related contract; limits Lockheed Martin's ownership of Loral Space; prohibits Lockheed Martin from providing certain technical services or information regarding satellites to Loral Space; restricts participation and compensation of persons who serve as directors or officers of both Lockheed Martin and Loral Space; and requires firewalls to limit information flows about competitors' tactical fighter aircraft and unmanned aerial vehicles.

Appearances

For the Commission: *Naomi Licker.*

For the respondent: *Ray Jacobsen, Howrey & Simon, Washington, D.C.*

COMPLAINT

The Federal Trade Commission ("Commission"), having reason to believe that respondent, Lockheed Martin Corporation ("Lockheed Martin"), a corporation subject to the jurisdiction of the Commission, has agreed to, among other things, acquire all of the outstanding voting stock of Loral Corporation ("Loral"), a corporation subject to the jurisdiction of the Commission, in violation of Section 5 of the Federal Trade Commission Act ("FTC Act"), as amended, 15 U.S.C. 45, and that such an acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. 18 and Section 5 of the FTC Act, as amended, 15 U.S.C. 45; and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues its complaint, stating its charges as follows:

I. DEFINITIONS

1. "*SETA services*" means systems engineering, technical assistance services and support services relating to air traffic control systems provided by Lockheed Martin to the Federal Aviation Administration, pursuant to paragraphs C.2.2.1.3., C.2.2.1.5., C.2.2.1.12. and C.2.2.4. of Task Area 2 and paragraphs C.9.1.3., C.9.2.2., C.9.2.3., C.9.2.4., C.9.2.6., C.9.2.7., C.9.2.8. and C.9.2.10. of Task Area 9 of the National Implementation and Support Contract, DTFA01-93-C-00031, that involve the development of technical and other specifications for procurements and programs; the assessment of bid and other proposals; the evaluation, testing or monitoring of any service, equipment or product provided by any company; the modification or change of any performance requirements of any contractor; or the development of financial, cost or budgetary plans, procedures or policies.

2. "*Air traffic control systems*" means any current or future air traffic control equipment, system or service designed, developed, proposed or provided for the Federal Aviation Administration.

3. "*Commercial low earth orbit satellite*" means an unmanned machine that is launched from the earth's surface and designed to orbit approximately 100 miles to 300 miles above the earth's surface in low earth orbit for the purpose of transmitting data back to earth, which is sold to any customer other than the U.S. government.

4. "*Commercial geosynchronous earth orbit satellite*" means an unmanned machine that is launched from the earth's surface and designed to orbit approximately 22,300 miles above the earth's surface in geosynchronous earth orbit for the purpose of transmitting data back to earth, which is sold to any customer other than the U.S. government.

5. "*Military aircraft*" means fixed-wing aircraft manufactured for sale to the United States or foreign governments.

6. "*NITE Hawk systems*" means any airborne forward-looking infrared targeting system researched, developed, designed, manufactured or sold by Loral for use on the F/A-18 series of military aircraft.

7. "*Simulation and training systems*" means the operational and weapons systems trainers designed, developed, manufactured or sold by Loral that simulate military aircraft.

8. "*Electronic countermeasures*" means systems designed, developed, manufactured or sold by Loral, including, but not limited

to, the ALR-56A and ALR-56C, that detect, jam and deceive hostile radars and radar and infrared guided weapons for use on military aircraft.

9. *"Mission computers"* means any computer designed, developed, manufactured or sold by Loral, including, but not limited to, the AP1, AAP1R and CP1075A/B/C, that control, monitor or manage the operations and electronics of any military aircraft.

10. *"Unmanned aerial vehicle"* means any unmanned aircraft used for tactical or strategic reconnaissance missions manufactured for sale to the United States or foreign governments.

11. *"Integrated communications systems"* means systems designed, developed, manufactured or sold by Loral, including, but not limited to, the 367-6000-59-R-012 and the 367-6000-59-R-013, that are capable of both wideband satellite and line-of-sight data link communications and command and control data links for use on unmanned aerial vehicles.

12. *"Merger Agreement"* means the Agreement and Plan of Merger, dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation.

13. *"Restructuring Agreement"* means the Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, by and among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner, Inc., Loral Globalstar, L.P., Loral Globalstar Limited, Loral Telecommunications Acquisition, Inc. (to be renamed Loral Space & Communications Ltd.) and Lockheed Martin Corporation.

14. *"Lockheed Martin/Loral Space Technical Services Agreement"* means the technical services agreement between Lockheed Martin and Loral Space, as described by Article VI, Section 6.7, paragraph (d), of the Restructuring Agreement.

15. *"Loral Space"* means Loral Space & Communications Ltd., a company organized under the laws of the Islands of Bermuda, with its principal office and place of business located at 600 Third Avenue, New York, New York. Loral Space, through its 33% ownership interest in Space Systems/Loral, is engaged in, among other things, the research, development, manufacture and sale of Commercial Low Earth Orbit Satellites and Commercial Geosynchronous Earth Orbit Satellites.

16. "*Space Systems/Loral*" means Space Systems/Loral, Inc., a Delaware corporation, with its principal office and place of business located at 3825 Fabian Way, Palo Alto, California. Space Systems/Loral is engaged in, among other things, the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites.

II. RESPONDENT

17. Respondent Lockheed Martin is a corporation organized and existing under and by virtue of the laws of the state of Maryland, with its office and principal place of business located at 6801 Rockledge Drive, Bethesda, Maryland. Respondent Lockheed Martin is engaged in, among other things, the provision of SETA services and the research, development, manufacture and sale of commercial low earth orbit satellites, commercial geosynchronous earth orbit satellites, military aircraft and unmanned aerial vehicles.

18. For purposes of this proceeding, respondent is, and at all times relevant herein has been, engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. 12, and is a corporation whose business is in or affecting commerce as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. 44.

III. ACQUIRED COMPANY

19. Loral is a corporation organized and existing under and by virtue of the laws of the state of New York, with its principal office and place of business located at 600 Third Avenue, New York, New York. Loral is engaged in, among other things, the research, development, manufacture and sale of air traffic control systems, NITE Hawk systems, simulation and training systems, electronic countermeasures, mission computers and integrated communications systems. Loral, through its 33% ownership interest in Space Systems/Loral, is also engaged in the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites.

20. Loral is, and at all times relevant herein has been, engaged in commerce as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. 12, and is a corporation whose business is in

or affecting commerce as "commerce" is defined in Section 4 of the FTC Act, as amended, 15 U.S.C. 44.

IV. THE ACQUISITION

21. On or about January 7, 1996, Lockheed Martin entered into a Merger Agreement and Restructuring Agreement, whereby Lockheed Martin would engage in a series of related transactions and acts, including, but not limited to: (1) the acquisition of all of the outstanding voting common stock of Loral; (2) the transfer of the space and telecommunications businesses of Loral and its subsidiaries to Loral Space; (3) the acquisition of a 20% convertible preferred stock interest in Loral Space, which in turn owns a 33% interest in Space Systems/Loral; (4) the Lockheed Martin/Loral Space Technical Services Agreement; and (5) the appointment of Mr. Bernard Schwartz, Chairman of the Board of Directors and Chief Executive Officer of Loral Space, to the position of Vice Chairman of the Board of Directors of Lockheed Martin.

V. THE RELEVANT MARKETS

22. For purposes of this complaint, the relevant lines of commerce in which to analyze the effects of the Acquisition are:

- a. The research, development, manufacture and sale of air traffic control systems;
- b. The provision of SETA services;
- c. The research, development, manufacture and sale of commercial low earth orbit satellites;
- d. The research, development, manufacture and sale of commercial geosynchronous earth orbit satellites;
- e. The research, development, manufacture and sale of military aircraft;
- f. The research, development, manufacture and sale of NITE Hawk systems;
- g. The research, development, manufacture and sale of simulation and training systems;
- h. The research, development, manufacture and sale of electronic countermeasures;
- i. The research, development, manufacture and sale of mission computers;

- j. The research, development, manufacture and sale of unmanned aerial vehicles; and
- k. The research, development, manufacture and sale of integrated communications systems.

23. For purposes of this complaint, the United States is the relevant geographic area in which to analyze the effects of the Acquisition in all the relevant lines of commerce.

VI. STRUCTURE OF THE MARKETS

24. The market for the provision of SETA Services in the United States is highly concentrated as measured by the Herfindahl-Hirschmann Index ("HHI") or the two-firm and four-firm concentration ratios ("concentration ratios"). Respondent has been the only provider of SETA services since 1993.

25. Respondent, through the Acquisition, would be engaged in both the research, development, manufacture and sale of air traffic control systems and the provision of SETA services.

26. The markets for the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites in the United States are highly concentrated as measured by the HHI or concentration ratios.

27. Respondent and Loral, through its 33% ownership interest in Space Systems/Loral, are actual significant competitors in the relevant markets for the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites.

28. Respondent and Loral Space, through its 33% ownership interest in Space Systems/Loral, will be actual significant competitors in the relevant markets for the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites.

29. The markets for the research, development, manufacture and sale of NITE Hawk systems, simulation and training systems, electronic countermeasures, mission computers and integrated communications systems in the United States are highly concentrated as measured by the HHI or concentration ratios.

30. Respondent, through the Acquisition, would be engaged in the research, development, manufacture and sale of military aircraft, as well as the research, development, manufacture and sale of NITE

Hawk systems, electronic countermeasures and mission computers, all of which are used in military aircraft.

31. Respondent, through the Acquisition, would be engaged in the research, development, manufacture and sale of both military aircraft and simulation and training systems, which are used to simulate military aircraft.

32. Respondent, through the Acquisition, would be engaged in the research, development, manufacture and sale of both unmanned aerial vehicles and integrated communications systems, which are used in unmanned aerial vehicles.

VII. BARRIERS TO ENTRY

33. Entry into the market for the provision of SETA services would not occur in a timely manner to deter or counteract the adverse competitive effects described in paragraph thirty-six because of, among other things, the time required to develop the experience and expertise necessary to effectively provide these services.

34. Entry into the markets for the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites is difficult, unlikely and would not occur in a timely manner to deter or counteract the adverse competitive effects described in paragraph thirty-six because of, among other things, the time and expense required to establish manufacturing facilities, develop the technology needed to produce these products and establish a reputation for high quality products among customers in these markets.

35. Entry into the markets for the research, development, manufacture and sale of NITE Hawk systems, simulation and training systems, electronic countermeasures, mission computers and integrated communications systems is difficult, unlikely and would not occur in a timely manner to deter or counteract the adverse competitive effects described in paragraph thirty-six because of, among other things, the time and expense required to develop the technology needed to produce these products.

VIII. EFFECTS OF THE ACQUISITION

36. The effects of the Acquisition may be substantially to lessen competition and to tend to create a monopoly in the relevant markets set forth above in violation of Section 7 of the Clayton Act, 15 U.S.C.

18, and Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45, in the following ways, among others:

A. Respondent may gain access to competitively sensitive non-public information concerning other air traffic control systems contractors, whereby:

(1) Actual competition between respondent and air traffic control systems contractors would be reduced; and

(2) Advancements in air traffic control systems research, development, innovation and quality would be reduced;

B. Respondent may be in a position to disadvantage or raise the costs of competing air traffic control systems contractors, whereby actual competition between respondent and air traffic control systems contractors would be reduced;

C. By eliminating direct actual competition between respondent and Loral Space in the markets for the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites;

D. By enhancing the likelihood of collusion or coordinated interaction between or among the firms in the markets for the research, development, manufacture and sale of commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites;

E. By increasing the likelihood that quality and technological innovation in the commercial low earth orbit satellite and commercial geosynchronous earth orbit satellite markets would be reduced;

F. By increasing the likelihood that consumers in the United States would be forced to pay higher prices for commercial low earth orbit satellites and commercial geosynchronous earth orbit satellites;

G. Respondent may gain access to competitively sensitive non-public information concerning other military aircraft manufacturers, whereby:

(1) Actual competition between respondent and military aircraft manufacturers would be reduced; and

(2) Advancements in military aircraft research, development, innovation and quality would be reduced; and

H. Respondent may gain access to competitively sensitive non-public information concerning other unmanned aerial vehicle manufacturers, whereby:

- (1) Actual competition between respondent and unmanned aerial vehicle manufacturers would be reduced; and
- (2) Advancements in unmanned aerial vehicle research, development, innovation and quality would be reduced.

IX. VIOLATIONS CHARGED

37. The Acquisition described in paragraph twenty-one constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

38. The Acquisition described in paragraph twenty-one, if consummated, would constitute a violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. 45.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of the proposed acquisition by respondent of all of the outstanding voting common stock of Loral Corporation ("Loral"), and the respondent having been furnished thereafter with a copy of a draft of complaint that the Bureau of Competition presented to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violations of Section 7 of the Clayton Act, as amended, 15 U.S.C. 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. 45; and

Respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by respondent of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondent that the law has been violated as alleged in such complaint, or that the facts as alleged in such complaint, other than jurisdictional facts, are true and waivers and other provisions as required by the Commission's Rules; and

The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent

has violated the said Acts, and that a complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure described in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Lockheed Martin Corporation ("Lockheed Martin") is a corporation organized, existing and doing business under and by virtue of the laws of the state of Maryland, with its principal place of business located at 6801 Rockledge Drive, Bethesda, Maryland.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondent, and the proceeding is in the public interest.

ORDER

I.

It is ordered, That, as used in this order, the following definitions shall apply:

A. "*Respondent*" or "*Lockheed Martin*" means Lockheed Martin Corporation, its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by Lockheed Martin Corporation, and the respective directors, officers, employees, agents, representatives, successors and assigns of each. Lockheed Martin includes Loral Corporation, which prior to the Acquisition had its principal office and place of business located at 600 Third Avenue, New York, New York; except that Lockheed Martin does not include any of the foregoing that will be part of Loral Space after the Acquisition.

B. "*Loral*" means Loral Corporation, a New York corporation, with its principal office and place of business located at 600 Third Avenue, New York, New York, its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by Loral Corporation, and the respective

directors, officers, employees, agents, representatives, successors and assigns of each; except that Loral does not include any of the foregoing that will be part of Loral Space after the Acquisition.

C. "*Commission*" means the Federal Trade Commission.

D. "*SETA services*" means systems engineering, technical assistance services and support services relating to air traffic control systems provided by Lockheed Martin to the Federal Aviation Administration, pursuant to paragraphs C.2.2.1.3., C.2.2.1.5., C.2.2.1.12. and C.2.2.4. of Task Area 2 and paragraphs C.9.1.3., C.9.2.2., C.9.2.3., C.9.2.4., C.9.2.6., C.9.2.7., C.9.2.8. and C.9.2.10. of Task Area 9 of the National Implementation and Support Contract, DTFA01-93-C-00031, that involve the development of technical and other specifications for procurements and programs; the assessment of bid and other proposals; the evaluation, testing or monitoring of any service, equipment or product provided by any company; the modification or change of any performance requirements of any contractor; or the development of financial, cost or budgetary plans, procedures or policies.

E. "*SETA services operations*" means all assets, properties, business and goodwill, tangible and intangible, held by respondent and used in the provision of SETA services including, without limitation, the following:

1. All rights, obligations and interests in paragraphs C.2.2.1.3., C.2.2.1.5., C.2.2.1.12., C.2.2.4., C.9.1.3., C.9.2.2., C.9.2.3., C.9.2.4., C.9.2.6., C.9.2.7., C.9.2.8. and C.9.2.10. of contract DTFA01-93-C-00031 relating to the provision of SETA services;

2. All customer lists, vendor lists, catalogs, sales promotion literature, advertising materials, research materials, financial information, technical information, management information and systems, software, software licenses, inventions, copyrights, trademarks, trade secrets, intellectual property, patents, technology, know-how, specifications, designs, drawings, processes and quality control data;

3. All rights, titles and interests in and to owned or leased real property, together with appurtenances, licenses and permits;

4. All rights, titles and interests in and to the contracts entered into in the ordinary course of business, including, but not limited to, contracts with customers (together with associated bid and performance bonds), suppliers, subcontractors, sales representatives,

distributors, agents, personal property lessors, personal property lessees, licensors, licensees, consignors and consignees;

5. All rights under warranties and guarantees, express or implied;

6. All books, records and files;

7. All data developed, prepared, received, stored or maintained;
and

8. All items of prepaid expense.

F. *"Non-public air traffic control information"* means any information not in the public domain disclosed by the Federal Aviation Administration or any company to respondent in its capacity as a provider of SETA services.

G. *"Standard terminal automation replacement system"* means any current or future equipment and services designed, developed, proposed or provided by Loral air traffic control to upgrade the traffic control equipment and systems in the Federal Aviation Administration's U.S. air traffic control terminals.

H. *"Traffic flow management system"* means any current or future equipment and services designed, developed, proposed or provided by Loral air traffic control to predict arrival and departure traffic flows at U.S. airports for the Federal Aviation Administration.

I. *"Operational and supportability implementation service"* means any current or future equipment and services designed, developed, proposed or provided by Loral air traffic control to upgrade Federal Aviation Administration flight server stations.

J. *"Air traffic control systems"* means any current or future air traffic control equipment, system or service designed, developed, proposed or provided by Loral air traffic control, including, but not limited to, the standard terminal automation replacement system, the traffic flow management system and the operational and supportability implementation service, for the Federal Aviation Administration.

K. *"Military aircraft"* means fixed-wing aircraft manufactured for sale to the United States or foreign governments.

L. *"NITE Hawk systems"* means any airborne forward-looking infrared targeting system researched, developed, designed, manufactured or sold by Loral for use on the F/A-18 series of military aircraft.

M. *"Simulation and training systems"* means the operational and weapons systems trainers designed, developed, manufactured or sold by Loral that simulate military aircraft.

N. *"Electronic countermeasures"* means systems designed, developed, manufactured or sold by Loral, including, but not limited to, the ALR-56A and ALR-56C, that detect, jam and deceive hostile radars and radar and infrared guided weapons for use on military aircraft.

O. *"Mission computers"* means any computer designed, developed, manufactured or sold by Loral, including, but not limited to, the AP1, AAAP1R and CP1075A/B/C, that control, monitor or manage the operations and electronics of any military aircraft.

P. *"Unmanned aerial vehicle"* means any unmanned aircraft used for tactical or strategic reconnaissance missions manufactured for sale to the United States or foreign governments.

Q. *"Integrated communications systems"* means systems designed, developed, manufactured or sold by Loral, including, but not limited to, the 367-6000-59-R-012 and the 367-6000-59-R-013, that are capable of both wideband satellite and line-of-sight data link communications and command and control data links for use on unmanned aerial vehicles.

R. *"Loral air traffic control"* means Loral air traffic control, an entity with its principal place of business at 9211 Corporate Blvd., Rockville, Maryland, or any other entity within or controlled by Lockheed Martin that is engaged in, among other things, the research, development, manufacture or sale of air traffic control systems, and its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by Loral air traffic control (or such similar entity), and the respective directors, officers, employees, agents, representatives, successors and assigns of each; except that Loral air traffic control does not include any of the foregoing that will be part of Loral space after the Acquisition.

S. *"Lockheed Martin Military Aircraft Business"* means any entity within or controlled by Lockheed Martin that is engaged in, among other things, the research, development, manufacture or sale of military aircraft or unmanned aerial vehicles, and its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by a Lockheed Martin Military Aircraft

Business and the respective directors, officers, employees, agents, representatives, successors and assigns of each.

T. "*Management and data systems*" means Lockheed Martin Management and Data Systems Division, an entity with its principal place of business at 7000 Geerdes Blvd., King of Prussia, Pennsylvania, or any other entity within or controlled by Lockheed Martin that is engaged in, among other things, the provision of SETA services, and its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by Lockheed Martin Management and Data Systems Division (or such similar entity), and the respective directors, officers, employees, agents, representatives, successors and assigns of each.

U. "*Non-public military aircraft information (NITE Hawk)*" means (1) any information not in the public domain disclosed by any military aircraft manufacturer, other than Lockheed Martin, to respondent or Loral in its capacity as a provider of NITE Hawk systems and (a) if written information, designated in writing by the military aircraft manufacturer as proprietary information by an appropriate legend, marking, stamp or positive written identification on the face thereof, or (b) if oral, visual or other information, identified as proprietary information in writing by the military aircraft manufacturer prior to the disclosure or within thirty (30) days after such disclosure; or (2) any information not in the public domain disclosed by any military aircraft manufacturer prior to the Acquisition to Loral in its capacity as a provider of NITE Hawk systems. Non-public military aircraft information (NITE Hawk) shall not include: (1) information known or disclosed to respondent, excluding Loral, at the time respondent signed the Agreement Containing Consent Order in this matter, (2) information that subsequently falls within the public domain through no violation of this order by respondent, (3) information that subsequently becomes known to respondent from a third party not in breach of a confidential disclosure agreement (information obtained from Loral or otherwise obtained as a result of the Acquisition shall not be considered information known to respondent from a third party), or (4) information after six (6) years from the date of disclosure of such non-public military aircraft information (NITE Hawk) to respondent, or such other period as agreed to in writing by respondent and the provider of the information.

V. *"Non-public military aircraft information (simulation and training)"* means (1) any information not in the public domain disclosed by any military aircraft manufacturer, other than Lockheed Martin, to respondent or Loral in its capacity as a provider of simulation and training systems and (a) if written information, designated in writing by the military aircraft manufacturer as proprietary information by an appropriate legend, marking, stamp or positive written identification on the face thereof, or (b) if oral, visual or other information, identified as proprietary information in writing by the military aircraft manufacturer prior to the disclosure or within thirty (30) days after such disclosure; or (2) any information not in the public domain disclosed by any military aircraft manufacturer prior to the Acquisition to Loral in its capacity as a provider of simulation and training systems. Non-public military aircraft information (simulation and training) shall not include: (1) information known or disclosed to respondent, excluding Loral, at the time respondent signed the Agreement Containing Consent Order in this matter, (2) information that subsequently falls within the public domain through no violation of this order by respondent, (3) information that subsequently becomes known to respondent from a third party not in breach of a confidential disclosure agreement (information obtained from Loral or otherwise obtained as a result of the Acquisition shall not be considered information known to respondent from a third party), or (4) information after six (6) years from the date of disclosure of such non-public military aircraft information (simulation and training) to respondent, or such other period as agreed to in writing by respondent and the provider of the information.

W. *"Non-public military aircraft information (electronic countermeasures)"* means (1) any information not in the public domain disclosed by any military aircraft manufacturer, other than Lockheed Martin, to respondent or Loral in its capacity as a provider of electronic countermeasures and (a) if written information, designated in writing by the military aircraft manufacturer as proprietary information by an appropriate legend, marking, stamp or positive written identification on the face thereof, or (b) if oral, visual or other information, identified as proprietary information in writing by the military aircraft manufacturer prior to the disclosure or within thirty (30) days after such disclosure; or (2) any information not in the public domain disclosed by any military aircraft manufacturer

prior to the Acquisition to Loral in its capacity as a provider of electronic countermeasures. Non-public military aircraft information (electronic countermeasures) shall not include: (1) information known or disclosed to respondent, excluding Loral, at the time respondent signed the Agreement Containing Consent Order in this matter, (2) information that subsequently falls within the public domain through no violation of this order by respondent, (3) information that subsequently becomes known to respondent from a third party not in breach of a confidential disclosure agreement (information obtained from Loral or otherwise obtained as a result of the Acquisition shall not be considered information known to respondent from a third party), or (4) information after six (6) years from the date of disclosure of such non-public military aircraft information (electronic countermeasures) to respondent, or such other period as agreed to in writing by respondent and the provider of the information.

X. *"Non-public military aircraft information (mission computers)"* means (1) any information not in the public domain disclosed by any military aircraft manufacturer, other than Lockheed Martin, to respondent or Loral in its capacity as a provider of mission computers, and (a) if written information, designated in writing by the military aircraft manufacturer as proprietary information by an appropriate legend, marking, stamp or positive written identification on the face thereof, or (b) if oral, visual or other information, identified as proprietary information in writing by the military aircraft manufacturer prior to the disclosure or within thirty (30) days after such disclosure; or (2) any information not in the public domain disclosed by any military aircraft manufacturer prior to the Acquisition to Loral in its capacity as a provider of mission computers. Non-public military aircraft information (mission computers) shall not include: (1) information known or disclosed to respondent, excluding Loral, at the time respondent signed the Agreement Containing Consent Order in this matter, (2) information that subsequently falls within the public domain through no violation of this order by respondent, (3) information that subsequently becomes known to respondent from a third party not in breach of a confidential disclosure agreement (information obtained from Loral or otherwise obtained as a result of the Acquisition shall not be considered information known to respondent from a third party), or (4) information after six (6) years from the date of disclosure of such

non-public military aircraft information (mission computers) to respondent, or such other period as agreed to in writing by respondent and the provider of the information.

Y. *"Non-public unmanned aerial vehicle information"* means (1) any information not in the public domain disclosed by any unmanned aerial vehicle manufacturer, other than Lockheed Martin, to respondent or Loral in its capacity as a provider of integrated communications systems, and (a) if written information, designated in writing by the unmanned aerial vehicle manufacturer as proprietary information by an appropriate legend, marking, stamp or positive written identification on the face thereof, or (b) if oral, visual or other information, identified as proprietary information in writing by the unmanned aerial vehicle manufacturer prior to the disclosure or within thirty (30) days after such disclosure; or (2) any information not in the public domain disclosed by any unmanned aerial vehicle manufacturer prior to the Acquisition to Loral in its capacity as a provider of integrated communications systems. Non-public unmanned aerial vehicle information shall not include: (1) information known or disclosed to respondent, excluding Loral, at the time respondent signed the Agreement Containing Consent Order in this matter, (2) information that subsequently falls within the public domain through no violation of this order by respondent, (3) information that subsequently becomes known to respondent from a third party not in breach of a confidential disclosure agreement (information obtained from Loral or otherwise obtained as a result of the Acquisition shall not be considered information known to respondent from a third party), or (4) information after six (6) years from the date of disclosure of such non-public unmanned aerial vehicle information to respondent, or such other period as agreed to in writing by respondent and the provider of the information.

Z. *"Satellite"* means an unmanned machine that is launched from the earth's surface for the purpose of transmitting data back to earth and which is designed either to orbit the earth or travel away from the earth.

AA. *"Restructuring Agreement"* means the Restructuring, Financing and Distribution Agreement, dated as of January 7, 1996, by and among Loral Corporation, Loral Aerospace Holdings, Inc., Loral Aerospace Corp., Loral General Partner, Inc., Loral Globalstar, L.P., Loral Globalstar Limited, Loral Telecommunications

Acquisition, Inc. (to be renamed Loral Space & Communications Ltd.) and Lockheed Martin Corporation.

BB. "*Loral Space*" means Loral Space & Communications Ltd., a company organized under the laws of the Islands of Bermuda, with its principal office and place of business located at 600 Third Avenue, New York, New York, as described by the Restructuring Agreement; its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled or managed by Loral Space & Communications Ltd., including, but not limited to, Globalstar, L.P., Space Systems/Loral, Inc. and K&F Industries, Inc., and the respective directors, officers, employees, agents, representatives, successors and assigns of each; except that Loral Space does not include any of the foregoing that will be part of Loral or Lockheed Martin after the Acquisition.

CC. "*Space Systems/Loral*" means Space Systems/Loral, Inc., an entity with its principal place of business at 3825 Fabian Way, Palo Alto, California, or any other entity within or controlled by Loral Space that is engaged in, among other things, the research, development, manufacture or sale of Satellites, and its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by Space Systems/Loral, Inc. (or such similar entity), and the respective directors, officers, employees, agents, representatives, successors and assigns of each; except that Space Systems/Loral does not include any of the foregoing that will be part of Loral or Lockheed Martin after the Acquisition and does not include any entity or line of business, outside of Space Systems/Loral, Inc., within or controlled by Loral Space that is not engaged in the research, development, manufacture or sale of Satellites.

DD. "*Defensive missiles systems*" are the research, development, manufacture or sale of defensive missiles systems and components, including, among other things, the Theater High Altitude Area Defense System, Corps SAM/MEADS, the Advanced Intercept Technology, National Missile Defense, Naval Upper Tier, the Airborne Laser, target programs and other related activities.

EE. "*Fleet Ballistic Missiles*" are the research, development, manufacture, sale or life cycle support including disposal of strategic

offensive missiles and associated support equipment, including, among other things, the Trident missile.

FF. *"Missile System Products Center"* is the research, development, manufacture or sale of missile systems, missile components, missile technology, propulsion systems, seekers, electronics, avionics, composites, bombs, rockets and mortars, including, among other things, the Composites Initiative, the Propulsion Initiative, BLU-109 and Precision Guided Mortar Munition.

GG. *"Space & Strategic Missiles"* means Lockheed Martin Space & Strategic Missiles Sector, an entity with its principal place of business at 6801 Rockledge Drive, Bethesda, Maryland, or any other entity within or controlled by Lockheed Martin that is engaged in, among other things, the research, development, manufacture or sale of Satellites; and its directors, officers, employees, agents, representatives, predecessors, successors and assigns; its subsidiaries, divisions, groups, affiliates, partnerships and joint ventures controlled by Lockheed Martin Space & Strategic Missiles Sector (or such similar entity), and the respective directors, officers, employees, agents, representatives, successors and assigns of each; except that Space & Strategic Missiles does not include Defensive Missile Systems, Fleet Ballistic Missiles, and Missile System Products Center, and any other entity or line of business, outside of Lockheed Martin Space & Strategic Missiles Sector, within or controlled by Lockheed Martin that is not engaged in the research, development, manufacture or sale of Satellites.

HH. *"Common LM/Loral Space Director"* means any person who is simultaneously a member of the Board of Directors of Lockheed Martin or an officer of Lockheed Martin and a member of the Board of Directors of Loral Space or an officer of Loral Space.

II. *"Non-public space information of Lockheed Martin"* means any information not in the public domain relating to Space & Strategic Missiles.

JJ. *"Non-public space information of Loral Space"* means any information not in the public domain relating to Space Systems/Loral.

KK. *"Lockheed Martin/Loral Space Technical Services Agreement"* means the technical services agreement between Lockheed Martin and Loral Space, as described by Article VI, Section 6.7, paragraph (d), of the Restructuring Agreement.

LL. "*Merger Agreement*" means the Agreement and Plan of Merger, dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation.

MM. "*Stockholders Agreement*" means the Stockholders Agreement referred to in the Restructuring Agreement.

NN. "*Non-Voting Equity Securities*" means any share of stock that does not entitle the shareholder to vote for any member of the Board of Directors.

OO. "*Voting Equity Securities*" means any share of stock that entitles the shareholder to vote for any member of the Board of Directors.

PP. "*Acquisition*" means the transaction described by the Merger Agreement and the Restructuring Agreement, including, but not limited to: (1) the acquisition by respondent of all of the outstanding voting common stock of Loral; (2) the transfer of the space and telecommunications businesses of Loral and its subsidiaries to Loral Space; (3) the acquisition by respondent of a 20% convertible preferred stock interest in Loral Space, which in turn owns a 33% interest in Space Systems/Loral; (4) the Lockheed Martin/Loral Space Technical Services Agreement; and (5) the appointment of Mr. Bernard Schwartz, Chairman of the Board of Directors and Chief Executive Officer of Loral Space, to the position of Vice Chairman of the Board of Directors of Lockheed Martin.

II.

It is further ordered, That:

A. Respondent shall divest, absolutely and in good faith, within six (6) months of the date respondent signed the Agreement Containing Consent Order in this matter, the SETA services operations, and shall not charge any costs associated with the divestiture to the Federal Aviation Administration.

B. Respondent shall divest the SETA services operations only to an acquirer or acquirers that receive the prior approval of the Commission and only in a manner that receives the prior approval of the Commission. The purpose of the divestiture is to ensure the continued provision of SETA services in the same manner as provided by respondent at the time of the proposed divestiture and to

remedy the lessening of competition alleged in the Commission's complaint.

C. Pending divestiture of the SETA services operations, respondent shall take such actions as are necessary to ensure the continued provision of SETA services, to maintain the viability and marketability of the assets used to provide SETA services, to prevent the destruction, removal, wasting, deterioration or impairment of the assets used to provide SETA services, and to prevent the disclosure of non-public air traffic control information to Loral Air Traffic Control.

D. Upon reasonable notice from any acquirer or the Federal Aviation Administration to respondent, respondent shall provide such technical assistance to the acquirer as is reasonably necessary to enable the acquirer to provide SETA services in substantially the same manner and quality as provided by respondent prior to divestiture. Such assistance shall include reasonable consultation with knowledgeable employees and training at the acquirer's facility for a period of time sufficient to satisfy the acquirer's management that its personnel are appropriately trained in the skills necessary to perform the SETA services operations. Respondent shall convey all know-how necessary to perform the SETA services operations in substantially the same manner and quality provided by respondent prior to divestiture, provided, however, that the respondent may retain the right to use the know-how. However, respondent shall not be required to continue providing such assistance for more than one (1) year from the date of the divestiture. Respondent shall charge the acquirer at a rate no more than its own costs for providing such technical assistance.

E. At the time of the execution of the purchase agreement between respondent and a proposed acquirer of the SETA services operations ("Purchase Agreement"), respondent shall provide the acquirer(s) with a complete list of all full-time, non-clerical, salaried employees of respondent who were engaged in the provision of SETA services on the date of the Acquisition, as well as all current full-time, non-clerical, salaried employees of respondent engaged in the provision of SETA services on the date of the purchase agreement. Such list(s) shall state each such individual's name, position, address, business telephone number, or if no business telephone number exists, a home telephone number, if available and with the consent of the employee, and a description of the duties and

work performed by the individual in connection with the SETA services operations.

F. Following the execution of the Purchase Agreement(s) and subject to the consent of the employees, respondent shall provide the proposed acquirer(s) with an opportunity to inspect the personnel files and other documentation relating to the individuals identified in paragraph II.E of this order to the extent permissible under applicable laws. For a period of six (6) months following the divestiture, respondent shall further provide the acquirer(s) with an opportunity to interview such individuals and negotiate employment contracts with them.

G. Respondent shall provide all employees identified in paragraph II.E of this order with reasonable financial incentives, if necessary, to continue in their employment positions pending divestiture of the SETA services operations, and to accept employment with the acquirer(s) at the time of the divestiture. Such incentives shall include continuation of all employee benefits offered by respondent until the date of the divestiture, and vesting of all pension benefits (as permitted by law). In addition, respondent shall not enforce any confidentiality restrictions relating to the SETA services or SETA services operations that apply to any employee identified in paragraph II.E who accepts employment with any proposed acquirer. Respondent also shall not enforce any noncompete restrictions that apply to any employee identified in paragraph II.E who accepts employment with any proposed acquirer.

H. For a period of one (1) year commencing on the date of the individual's employment by any acquirer, respondent shall not re-hire any of the individuals identified in paragraph II.E of this order who accept employment with any acquirer, unless such individual has been separated from employment by the acquirer against that individual's wishes.

I. Prior to divestiture, respondent shall not transfer, without the consent of the Federal Aviation Administration, any of the individuals identified in paragraph II.E of this order whose employment responsibilities involve access to non-public air traffic control information from management and data systems to any other position involving business with the Federal Aviation Administration.

III.

It is further ordered, That:

A. Respondent shall not provide, disclose or otherwise make available to Loral Air Traffic Control any non-public air traffic control information.

B. Respondent shall use any non-public air traffic control information obtained by Management and Data Systems only in respondent's capacity as provider of technical assistance to an acquirer, pursuant to paragraph II.D of this order.

IV.

It is further ordered, That:

A. If respondent has not divested, absolutely and in good faith and with the Commission's prior approval, the SETA services operations within six (6) months of the date respondent signed the Agreement Containing Consent Order in this matter, the Commission may appoint a trustee to divest the SETA services operations. In the event that the Commission or the Attorney General brings an action pursuant to Section 5(l) of the Federal Trade Commission Act, 15 U.S.C. 45(l), or any other statute enforced by the Commission, respondent shall consent to the appointment of a trustee in such action. Neither the appointment of a trustee nor a decision not to appoint a trustee under this paragraph IV shall preclude the Commission or the Attorney General from seeking civil penalties or any other relief available to it, including a court-appointed trustee, pursuant to Section 5(l) of the Federal Trade Commission Act, or any other statute enforced by the Commission, for any failure by respondent to comply with this order.

B. If a trustee is appointed by the Commission or a court pursuant to paragraph IV.A of this order, respondent shall consent to the following terms and conditions regarding the trustee's powers, duties, authority, and responsibilities:

1. The Commission shall select the trustee, subject to the consent of respondent, which consent shall not be unreasonably withheld. The trustee shall be a person with experience and expertise in

acquisitions and divestitures. If respondent has not opposed, in writing, including the reasons for opposing, the selection of any proposed trustee within ten (10) days after notice by the staff of the Commission to respondent of the identity of any proposed trustee, respondent shall be deemed to have consented to the selection of the proposed trustee.

2. Subject to the prior approval of the Commission, the trustee shall have the exclusive power and authority to divest the SETA services operations.

3. Within ten (10) days after appointment of the trustee, respondent shall execute a trust agreement that, subject to the prior approval of the Commission and, in the case of a court-appointed trustee, of the court, transfers to the trustee all rights and powers necessary to permit the trustee to effect the divestiture required by this order.

4. The trustee shall have twelve (12) months from the date the Commission approves the trust agreement described in paragraph IV.B.3 to accomplish the divestiture, which shall be subject to the prior approval of the Commission. If, however, at the end of the twelve (12) month period, the trustee has submitted a plan of divestiture or believes that divestiture can be achieved within a reasonable time, the divestiture period may be extended by the Commission, or, in the case of a court-appointed trustee, by the court; provided, however, the Commission may extend this period only two (2) times.

5. The trustee shall have full and complete access to the personnel, books, records and facilities related to the SETA services operations, or to any other relevant information, as the trustee may request. Respondent shall develop such financial or other information as the trustee may request and shall cooperate with the trustee. Respondent shall take no action to interfere with or impede the trustee's accomplishment of the divestiture. Any delays in divestiture caused by respondent shall extend the time for divestiture under this paragraph in an amount equal to the delay, as determined by the Commission or, for a court-appointed trustee, by the court.

6. The trustee shall use his or her best efforts to negotiate the most favorable price and terms available in each contract that is submitted to the Commission, subject to respondent's absolute and unconditional obligation to divest at no minimum price. The divestiture shall be made in the manner and to an acquirer or

acquirers as set out in paragraph II of this order; provided, however, if the trustee receives *bona fide* offers from more than one acquiring entity, and if the Commission determines to approve more than one such acquiring entity, the trustee shall divest to the acquiring entity selected by respondent from among those approved by the Commission.

7. The trustee shall serve, without bond or other security, at the cost and expense of respondent, on such reasonable and customary terms and conditions as the Commission or a court may set. The trustee shall have the authority to employ, at the cost and expense of respondent, such consultants, accountants, attorneys, investment bankers, business brokers, appraisers, and other representatives and assistants as are necessary to carry out the trustee's duties and responsibilities. The trustee shall account for all monies derived from the divestiture and all expenses incurred. After approval by the Commission and, in the case of a court-appointed trustee, by the court, of the account of the trustee, including fees for his or her services, all remaining monies shall be paid at the direction of respondent, and the trustee's power shall be terminated. The trustee's compensation shall be based at least in significant part on a commission arrangement contingent on the trustee's divesting the SETA services operations.

8. Respondent shall indemnify the trustee and hold the trustee harmless against any losses, claims, damages, liabilities, or expenses arising out of, or in connection with, the performance of the trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for, or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from misfeasance, gross negligence, willful or wanton acts, or bad faith by the trustee.

9. If the trustee ceases to act or fails to act diligently, a substitute trustee shall be appointed in the same manner as provided in paragraph IV.A of this order.

10. The Commission or, in the case of a court-appointed trustee, the court, may on its own initiative or at the request of the trustee issue such additional orders or directions as may be necessary or appropriate to accomplish the divestiture required by this order.

11. The trustee may also divest such additional ancillary assets and businesses and effect such arrangements as are necessary to

assure the marketability, viability and competitiveness of the SETA services operations.

12. The trustee shall have no obligation or authority to operate or maintain the SETA services operations.

13. The trustee shall report in writing to respondent and the Commission every sixty (60) days concerning the trustee's efforts to accomplish divestiture.

V.

It is further ordered, That within forty-five (45) days after the date this order becomes final and every forty-five (45) days thereafter until respondent has fully complied with paragraphs II through IV of this order, respondent shall submit to the Commission a verified written report setting forth in detail the manner and form in which it intends to comply, is complying, and has complied with paragraphs II through IV of this order. Respondent shall include in its compliance reports, among other things that are required from time to time, a full description of the efforts being made to comply with paragraphs II through IV including a description of all substantive contacts or negotiations for the divestiture required by this order, including the identity of all parties contacted. Respondent shall include in its compliance reports copies of all written communications to and from such parties, all internal memoranda and all reports and recommendations concerning the divestiture.

VI.

It is further ordered, That:

A. Respondent shall not, absent the prior written consent of the proprietor of non-public military aircraft information (NITE Hawk), provide, disclose or otherwise make available to any Lockheed Martin Military Aircraft Business any non-public military aircraft information (NITE Hawk).

B. Respondent shall use any non-public military aircraft information (NITE Hawk) only in respondent's capacity as a provider of NITE Hawk systems, absent the prior written consent of the proprietor of non-public military aircraft information (NITE Hawk).

VII.

It is further ordered, That:

A. Respondent shall not, absent the prior written consent of the proprietor of non-public military aircraft information (simulation and training), provide, disclose or otherwise make available to any Lockheed Martin Military Aircraft Business any non-public military aircraft information (simulation and training).

B. Respondent shall use any non-public military aircraft information (simulation and training) only in respondent's capacity as a provider of simulation and training systems, absent the prior written consent of the proprietor of non-public military aircraft information (simulation and training).

VIII.

It is further ordered, That:

A. Respondent shall not, absent the prior written consent of the proprietor of non-public military aircraft information (electronic countermeasures), provide, disclose or otherwise make available to any Lockheed Martin Military Aircraft Business any non-public military aircraft information (electronic countermeasures).

B. Respondent shall use any non-public military aircraft information (electronic countermeasures) only in respondent's capacity as a provider of electronic countermeasures, absent the prior written consent of the proprietor of non-public military aircraft information (electronic countermeasures).

IX.

It is further ordered, That:

A. Respondent shall not, absent the prior written consent of the proprietor of non-public military aircraft information (mission computers), provide, disclose or otherwise make available to any Lockheed Martin Military Aircraft Business any non-public military aircraft information (mission computers).

B. Respondent shall use any non-public military aircraft information (mission computers) only in respondent's capacity as a provider of mission computers, absent the prior written consent of the proprietor of non-public military aircraft information (mission computers).

X.

It is further ordered, That respondent shall deliver a copy of this order to any United States military aircraft manufacturer prior to obtaining any information outside the public domain relating to that manufacturer's military aircraft, either from the military aircraft manufacturer or through the Acquisition.

XI.

It is further ordered, That:

A. Respondent shall not, absent the prior written consent of the proprietor of non-public unmanned aerial vehicle information, provide, disclose or otherwise make available to any Lockheed Martin Military Aircraft Business any non-public unmanned aerial vehicle information.

B. Respondent shall use any non-public unmanned aerial vehicle information only in respondent's capacity as a provider of integrated communications systems, absent the prior written consent of the proprietor of non-public unmanned aerial vehicle information.

XII.

It is further ordered, That respondent shall deliver a copy of this order to any United States unmanned aerial vehicle manufacturer prior to obtaining any information outside the public domain relating to that manufacturer's unmanned aerial vehicle, either from the unmanned aerial vehicle manufacturer or through the Acquisition.

XIII.

It is further ordered, That:

A. Respondent shall not discuss, provide, disclose or otherwise make available, directly or indirectly, to any Common LM/Loral Space Director any non-public space information of Lockheed Martin.

B. Respondent shall require any Common LM/Loral Space Director to refrain from discussing, providing, disclosing or otherwise making available, directly or indirectly, any non-public space information of Loral Space to any member of the Board of Directors of Lockheed Martin, any officer of Lockheed Martin or any employee of Lockheed Martin.

C. Respondent shall conduct all matters relating to Space & Strategic Missiles without the vote, concurrence or other participation of any kind whatsoever of any Common LM/Loral Space Director.

D. Any Common LM/Loral Space Director shall not be counted for purposes of establishing a quorum in connection with any matter relating to Space & Strategic Missiles.

E. Respondent shall not provide any Common LM/Loral Space Director with any type of compensation that is based in whole or in part on the profitability or performance of Space & Strategic Missiles; provided, however, that any Common LM/Loral Space Director may receive as compensation for his or her serving on the Lockheed Martin Board of Directors such stock options or other stock-based compensation as is provided generally to other members of the Lockheed Martin Board of Directors in accordance with respondent's ordinary practice.

XIV.

It is further ordered, That:

A. Respondent shall not provide or otherwise make available, directly or indirectly, any personnel, information, facilities, technical services or support from Space & Strategic Missiles to Space Systems/Loral pursuant to any provision contained in the Lockheed Martin/Loral Space Technical Services Agreement.

B. Respondent shall not disclose or otherwise make available to Space & Strategic Missiles any information received in connection with the Lockheed Martin/Loral Space Technical Services Agreement.

C. Respondent shall not disclose to any Space & Strategic Missile employee any information or technical services provided to Space Systems/Loral by Lockheed Martin pursuant to the Lockheed Martin/Loral Space Technical Services Agreement.

XV.

It is further ordered, That if respondent's ownership of the equity securities of Loral Space increases to more than twenty percent (20%) of the total equity securities (including both Voting Equity Securities and Non-Voting Equity Securities) of Loral Space as the result of repurchases of equity securities by Loral Space or for any other reason, respondent shall, following its obtaining actual knowledge of an event leading to such increase ("Event"), reduce its equity security ownership interest to a level of not more than twenty percent (20%). Those equity securities which must be sold are hereinafter referred to as the "Excess Securities." Respondent shall have a period of 185 days following its obtaining actual knowledge of the Event to sell the Excess Securities (the "Sale Period"); provided, however, that, if within ten (10) business days of respondent's receipt of such knowledge, respondent requests that Loral Space file a registration statement providing for such sale, the Sale Period shall be deemed to begin on the effective date of such registration statement, and shall extend for 150 days thereafter, and provided further that, if respondent elects to sell the Excess Securities in a manner that does not require Loral Space to file a registration statement, and such sales cannot be accomplished within the Sale Period without violating Rule 144 (or any successor provision) under the Securities Act of 1933, then the Sale Period shall be extended by the minimum amount necessary to allow such securities to be sold pursuant to Rule 144 (or any successor provision). Pending the sale of Excess Securities, respondent shall not exercise any voting rights relating to the Excess Securities. Respondent shall amend the Stockholders Agreement to provide respondent the means of complying with the foregoing provisions and shall thereafter not amend the applicable provisions of the Stockholders Agreement in a fashion so as to impair respondent's

ability to comply with this paragraph. The provisions of this paragraph shall terminate ten (10) years from the date this order becomes final.

XVI.

It is further ordered, That respondent shall comply with all terms of the Interim Agreement, attached to this order and made a part hereof as Appendix I. Said Interim Agreement shall continue in effect until the provisions in paragraphs II through XVI of this order are complied with or until such other time as is stated in said Interim Agreement.

XVII.

It is further ordered, That within sixty (60) days of the date this order becomes final and annually for the next ten (10) years on the anniversary of the date this order becomes final, and at such other times as the Commission may require, respondent shall file a verified written report with the Commission setting forth in detail the manner and form in which it has complied and is complying with paragraphs VI through XVI of this order. To the extent not prohibited by United States Government national security requirements, respondent shall include in its reports information sufficient to identify all United States military aircraft and unmanned aerial vehicle manufacturers with whom respondent has entered into an agreement for the research, development, manufacture or sale of NITE Hawk systems, simulation and training systems, electronic countermeasures, mission computers or integrated communications systems.

XVIII.

It is further ordered, That respondent shall notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent such as dissolution, assignment, sale resulting in the emergence of a successor corporation, or the creation or dissolution of subsidiaries or sale of any division or any other change in the corporation in each instance where such change may affect compliance obligations arising out of the order.

XIX.

It is further ordered, That, for the purpose of determining or securing compliance with this order, and subject to any legally recognized privilege and applicable United States Government national security requirements, upon written request, and on reasonable notice, respondent shall permit any duly authorized representatives of the Commission:

A. Access, during office hours and in the presence of counsel, to inspect and copy all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of respondent, relating to any matters contained in this order; and

B. Upon five (5) days' notice to respondent, and without restraint or interference from respondent, to interview officers, directors, or employees of respondent, who may have counsel present, regarding any such matters.

XX.

It is further ordered, That this order shall terminate on September 19, 2016, except as otherwise provided in this order.

APPENDIX I

INTERIM AGREEMENT

This Interim Agreement is by and between Lockheed Martin Corporation ("Lockheed Martin"), a corporation organized and existing under the laws of the State of Maryland, and the Federal Trade Commission (the "Commission"), an independent agency of the United States Government, established under the Federal Trade Commission Act of 1914, 15 U.S.C. 41, *et seq.*

PREMISES

Whereas, Lockheed Martin has proposed to acquire all of the outstanding voting common stock of Loral Corporation and engage in a series of related transactions and acts; and

Whereas, the Commission is now investigating the proposed Acquisition to determine if it would violate any of the statutes the Commission enforces; and

Whereas, if the Commission accepts the Agreement Containing Consent Order ("Consent Agreement"), the Commission will place it on the public record for a period of at least sixty (60) days and subsequently may either withdraw such acceptance or issue and serve its complaint and decision in disposition of the proceeding pursuant to the provisions of Section 2.34 of the Commission's Rules; and

Whereas, the Commission is concerned that if an understanding is not reached preserving competition during the period prior to the final issuance of the Consent Agreement by the Commission (after the 60-day public notice period), there may be interim competitive harm and divestiture or other relief resulting from a proceeding challenging the legality of the proposed Acquisition might not be possible, or might be less than an effective remedy; and

Whereas, Lockheed Martin entering into this Interim Agreement shall in no way be construed as an admission by Lockheed Martin that the proposed Acquisition constitutes a violation of any statute; and

Whereas, Lockheed Martin understands that no act or transaction contemplated by this Interim Agreement shall be deemed immune or exempt from the provisions of the antitrust laws or the Federal Trade Commission Act by reason of anything contained in this Interim Agreement.

Now, therefore, Lockheed Martin agrees, upon the understanding that the Commission has not yet determined whether the proposed Acquisition will be challenged, and in consideration of the Commission's agreement that, at the time it accepts the Consent Agreement for public comment, it will grant early termination of the Hart-Scott-Rodino waiting period, as follows:

1. Lockheed Martin agrees to execute and be bound by the terms of the order contained in the Consent Agreement, as if it were final, from the date Lockheed Martin signs the Consent Agreement.

2. Lockheed Martin agrees to deliver, within three (3) days of the date the Consent Agreement is accepted for public comment by the Commission, a copy of the Consent Agreement and a copy of this Interim Agreement to the United States Department of Defense, the Federal Aviation Administration, McDonnell Douglas Corporation,

Northrop Grumman Corporation, The Boeing Company and Teledyne Inc.

3. Lockheed Martin agrees to submit, within thirty (30) days of the date the Consent Agreement is signed by Lockheed Martin, an initial report, pursuant to Section 2.33 of the Commission's Rules, signed by Lockheed Martin setting forth in detail the manner in which Lockheed Martin will comply with paragraphs II through XVI of the Consent Agreement.

4. Lockheed Martin agrees that, from the date Lockheed Martin signs the Consent Agreement until the first of the dates listed in subparagraphs 4.a and 4.b, it will comply with the provisions of this Interim Agreement:

a. Ten (10) business days after the Commission withdraws its acceptance of the Consent Agreement pursuant to the provisions of Section 2.34 of the Commission's Rules; or

b. The date the Commission finally issues its Complaint and its Decision and Order.

5. Lockheed Martin waives all rights to contest the validity of this Interim Agreement.

6. For the purpose of determining or securing compliance with this Interim Agreement, subject to any legally recognized privilege and applicable United States Government national security requirements, and upon written request, and on reasonable notice, to Lockheed Martin made to its principal office, Lockheed Martin shall permit any duly authorized representative or representatives of the Commission:

a. Access, during the office hours of Lockheed Martin and in the presence of counsel, to inspect and copy all books, ledgers, accounts, correspondence, memoranda, and other records and documents in the possession or under the control of Lockheed Martin relating to compliance with this Interim Agreement; and

b. Upon five (5) days' notice to Lockheed Martin and without restraint or interference from it, to interview officers, directors, or employees of Lockheed Martin, who may have counsel present, regarding any such matters.

7. This Interim Agreement shall not be binding until accepted by the Commission.

IN THE MATTER OF

ZYGON INTERNATIONAL, INC., ET AL.

CONSENT ORDER, ETC., IN REGARD TO ALLEGED VIOLATION OF
SECS. 5 AND 12 OF THE FEDERAL TRADE COMMISSION ACT*Docket C-3686. Complaint, Sept. 24, 1996--Decision, Sept. 24, 1996*

This consent order prohibits, among other things, a Washington-based company and its owner, that manufacture and advertise learning accelerating, memory enhancing, weight loss, and vision improving products and devices, from making any claims concerning the performance, benefits, efficacy, or safety of any product or service they market, unless they possess competent and reliable evidence to substantiate such claims, and requires the respondents to pay \$195,000 into escrow accounts for consumer redress programs.

Appearances

For the Commission: *Dean C. Forbes* and *Lesley Anne Fair*.

For the respondents: *Margaret Feinstein* and *Peter Kadzik, Dickstein, Shapirro & Morin*, Washington, D.C.

COMPLAINT

The Federal Trade Commission, having reason to believe that Zygon International, Inc., a corporation, and Dane Spotts, individually and as an officer of said corporation ("respondents"), have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, alleges:

PARAGRAPH 1. Respondent Zygon International, Inc. is a Washington corporation, with its principal office or place of business at 18368 Redmond Way, Redmond, WA.

Respondent Dane Spotts is an officer of the corporate respondent. Individually or in concert with others, he formulates, directs, and controls the acts and practices of the corporate respondent, including the acts and practices alleged in this complaint. His principal office or place of business is the same as that of the corporate respondent.

PAR. 2. Respondents have manufactured, advertised, labeled, offered for sale, sold, and distributed consumer products through radio and print advertisements, the Zygon International "SuperLife"