

**Before the
Federal Communications Commission
Washington, D. C. 20554**

In the Matter of	}	
	}	
Lockheed Martin Corporation COMSAT Corporation, and COMSAT Digital Teleport, Inc. ,Assignor,	}	IB DOCKET NO. 02-87
	}	
And	}	
	}	
Intelsat, Ltd., Intelsat (Bermuda), Ltd., Intelsat LLC, and Intelsat USA License Corp. Assignee	}	
And Telenor Satellite Inc., Assignee	}	
	}	
Applications for Assignment of Sections 214 Authorizations and Earth Station Licenses and Declaratory Ruling Requests	}	

LRT PROPOSAL FOR ADMINISTRATIVE DISPUTE RESOLUTION OF ISSUES

Litigation Recovery Trust (“LRT”), pursuant to 47 CFR § 1.18 (a) and (b) Administrative Dispute Resolution and the applicable rules and policies of the Federal Communications Commission¹, proposes the following settlement terms among the parties in the above referenced proceeding to be incorporated in the Order to be issued by the Commission with respect to the pending applications providing for the assignment of Comsat Corporation (“Comsat”) licenses to Intelsat, Ltd. (“Intelsat”).

It is noted that the Administrative Dispute Resolution procedures were adopted pursuant to the Administrative Dispute Resolution Act and Negotiated Rulemaking Act in an effort to facilitate the use of negotiations to settle outstanding matters in dispute.²

¹ To the extent that the matters referenced herein involve LRT complaints against Comsat, a common carrier regulated pursuant to Title II of the Communications Act of 1934, as amended, this submission is deemed to constitute a request for settlement meeting pursuant to 47 USC § 206-209 and the Commission’s rules promulgated thereunder.

The Commission heretofore has adopted an initial policy statement that supports and encourages the use of alternative dispute resolution procedures in its administrative proceedings and proceedings in which the Commission is a party, including the use of regulatory negotiation in Commission rulemaking matters, as authorized under the Administrative Dispute Resolution Act and Negotiated Rulemaking Act. Such procedures have been adopted in accordance with the Commission's policy to encourage the fullest possible use of alternative dispute resolution procedures in its administrative proceedings

These ADR procedures have been adopted by the Commission as part of an effort to make the Federal Government operate in a more efficient and effective manner, and to encourage, where possible, consensual resolution of disputes and issues in controversy involving the United States, including the prevention and avoidance of disputes. The Federal Government has designated Interagency Committees to facilitate and encourage agency use of alternate means of dispute resolution and negotiated rulemaking.

LRT believes that the present proceeding involves a series of issues, which can be properly addressed through negotiated settlement. by the following parties: AT&T Corp, ("ATT"), WorldCom, Inc. ("WorldCom") and Sprint Communications Company L.P. ("Sprint")³ and Verestar, Inc. ("Verestar")., These companies, in addition to LRT, have to date filed petitions and/or comments in this proceeding. Accordingly, LRT proposes the following settlement terms and conditions for consideration by the said parties:

1. Intelsat shall accept the price reductions and price caps previously accepted by Comsat set forth in the *Alternative Rate Regulation Order* (14 FCC Rcd. at 3071-77) as follows:
 - a. reduction of prices for switched voice services by the greater of (a) four percent per year or (b) the amount of price reductions for such services on competitive routes; and
 - b. no future price increases for private line services or occasional-use video services
2. For the remaining duration of the committed terms of Intelsat circuits that are currently purchased through Comsat, the prices charged by the combined

³ The WorldCom and Sprint comments were filed jointly ("W/S comments").

Intelsat/Comsat for such circuits will be at the same non-discriminatory levels that would have been available directly from Intelsat (i.e. the Intelsat Utilization Charges) at the time the circuits were originally purchased

3. With respect to new space segment capacity sold by the merged Intelsat-Comsat, the services offered shall be the same as those offered by Intelsat throughout its system, and the wholesale prices offered by Intelsat to U.S. customers shall be:
 - a. the same as those offered to other non Intelsat affiliated customers for capacity on the same satellite(s) and
 - b. no higher than those offered to Intelsat's own downstream operations
 - c. the existing incentive-based regulation of Comsat rates shall apply to the prices of the merged Intelsat/Comsat, using current Intelsat prices as the base prices
 - d. The former Comsat World Systems will operate as a separately organized entity independent from Intelsat under the name " Intelsat USA" (or another similar name)
4. Intelsat USA will provide space capacity to customers on a common carrier basis.
5. Intelsat USA will provide space capacity in accordance with tariff schedules as filed with the Commission.
6. Lockheed will pay over to the Commission all net proceeds paid by Intelsat for its purchase of Comsat World Systems for the purpose of establishing a fund (Digital Conversion Fund) to assist through loans and grants the financing of the digital conversion of small market, minority owned and public television stations and cable systems, lacking ready access to capital for such technical upgrades. The term "net proceeds" shall be deemed to mean \$160 million constituting the gross sale proceeds to be paid to Lockheed by Intelsat for its purchase of Comsat World Systems less the following: an appropriate sum payable to Lockheed as compensation for transaction costs and expenses and a sum payable to LRT as set by mediation or arbitration as partial compensation for tort litigation costs and expenses. Any issues of disagreement hereunder shall be referred to arbitration in New York, New York.
7. Lockheed shall pay over to the Digital Conversion Fund any and all proceeds realized from the following sales of Comsat assets:
 - (a) the sale of Comsat Mobile Communications assets and shares Inmarsat, Ltd. to Telenor, ASA ;
 - (b) the sale of all Comsat International division assets ;

(c) the sale of Intelsat shares sold by Lockheed in connection with the Intelsat ipo or to any third party purchaser in other sale(s);
(d)) the sale of Inmarsat shares sold by Lockheed in connection with the Inmarsat ipo or to any third party purchaser in other sale(s) and
(e) any consideration in cash or otherwise (including inter-company charge for transfers of Comsat assets to other Lockheed divisions) realized from the sale or other disposition or transfer of any other Comsat assets not included within paragraphs (2) and (3) (a) through (d) above.

8. The parties agree to execute covenants not to appeal the order issued by the Commission.
9. Lockheed shall pay the following expenses and costs of the parties hereto: ATT \$75,000; Sprint \$40,000; WorldCom \$40,000; Verestar \$10,000; LRT \$125,000.
10. Lockheed shall undertake the following actions:
 - Lockheed shall covenant that so long as it is an FCC licensee, it shall immediately report to the Commission any notices of government investigations, inquiries, indictments or other official actions involving allegations of fraud, price fixing or manipulation, misrepresentation, abuse of process, obstruction of justice, violation of Federal False Claims Act, activities in restraint of trade or violations of antitrust statutes.
 - Separately, Lockheed shall covenant to comply with all FCC rules, including the ex parte rules, and agree and accept fines of \$50,000 per violation.
 - Lockheed shall execute a Consent Decree and Compliance Plan substantially similar to that attached hereto as Exhibit 1

To provide an appropriate procedural mechanism for the review and consideration of the proposed terms outlined above, LRT shall undertake the following actions in an effort to resolve outstanding issues:

- a. LRT shall nominate an independent interlocutor to communicate with the parties hereto.

- b. Within 10 days from the date hereof the appointed interlocutor shall communicate with all parties to determine their position with respect to the proposal.
- c. The interlocutor shall within seven days circulate a report among all parties outlining the positions of the parties.
- d. Depending upon the reactions of the parties, a meeting of the parties chaired by the interlocutor shall be held at the Commission or other suitable location to discuss issues and negotiate open points.
- e. Assuming a resolution is reached, the proposal will be submitted to the International Bureau staff of the Commission.