

acquire 100 percent of the voting shares of Comerica Bank - Illinois, Franklin Park, Illinois.

C. Federal Reserve Bank of Kansas City (John E. Yorke, Senior Vice President) 925 Grand Avenue, Kansas City, Missouri 64198:

1. *First National of Nebraska, Inc.*, Omaha, Nebraska, and First National of Colorado, Inc., Omaha, Nebraska; to acquire Bolder Bancorporation, Boulder, Colorado, and thereby indirectly acquire The Bank of Boulder, Boulder, Colorado. First National of Colorado also has applied to merge with Bolder Bancorporation.

D. Federal Reserve Bank of Dallas (Genie D. Short, Vice President) 2200 North Pearl Street, Dallas, Texas 75201-2272:

1. *Texas Financial Bancorporation, Inc.*, Minneapolis, Minnesota; to acquire 83.54 percent of the voting shares of Community Bank of Arizona, Wickenburg, Arizona.

2. *Texas Financial Bancorporation, Inc.*, Minneapolis, Minnesota; First Bancorp, Inc., Denton, Texas; and First Delaware Bancorp, Inc., Dover, Delaware; have applied to acquire 100 percent of the voting shares of Riverside National Bank, Grand Prairie, Texas.

E. Federal Reserve Bank of San Francisco (Kenneth R. Binning, Director, Bank Holding Company) 101 Market Street, San Francisco, California 94105:

1. *Columbia Bancorp*, The Dalles, Oregon; to acquire up to 100 percent of the voting shares of Klickitat Valley Bank, Goldendale, Washington. Applicant also has an option to acquire up to 9.9 percent of Klickitat Valley Bank.

2. *First Hawaiian, Inc.*, Honolulu, Hawaii; to acquire 100 percent of the voting shares of ANB Financial Corporation, Kennewick, Washington; and thereby indirectly acquire American National Bank, Kennewick, Washington.

Board of Governors of the Federal Reserve System, April 23, 1996.

Jennifer J. Johnson,

Deputy Secretary of the Board.

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FEDERAL TRADE COMMISSION

[File No. 961-0026]

Lockheed Martin Corporation; Proposed Consent Agreement With Analysis To Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed consent agreement.

SUMMARY: In settlement of alleged violations of federal law prohibiting unfair or deceptive acts or practices and unfair methods of competition, this consent agreement, accepted subject to final Commission approval, would require Lockheed Martin, a Bethesda, Maryland-based defense and space contractor, to divest its systems engineering and technical services contract with the Federal Aviation Administration; would prohibit Lockheed Martin from providing certain technical services or information to the space business subsidiary of Loral Space & Communications Ltd.; would restrict participation and compensation of persons who serve as directors or officers of both Lockheed Martin and Loral Space; would limit Lockheed Martin's ownership of Loral Space; and would require "firewalls" to limit information flow about competitors tactical fighter aircraft and unmanned aerial vehicles. The Consent Agreement settles allegations that Lockheed Martin's proposed \$9.1 billion acquisition of Loral Corporation would violate the antitrust laws.

DATES: Comments must be received on or before June 28, 1996.

ADDRESSES: Comments should be directed to: FTC/Office of the Secretary, Room 159, 6th St. and Pennsylvania Ave., N.W., Washington, D.C. 20580.

FOR FURTHER INFORMATION CONTACT: William J. Baer, Federal Trade Commission, H-374, 6th and Pennsylvania Ave, NW, Washington, DC 20580. (202) 326-2932. Steven K. Bernstein, Federal Trade Commission, S-2308, 6th and Pennsylvania Ave, NW, Washington, DC 20580. (202) 326-2423.

SUPPLEMENTARY INFORMATION: Pursuant to Section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46 and Section 2.34 of the Commission's Rules of Practice (16 CFR 2.34), notice is hereby given that the following consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of sixty (60) days. Public comment is invited. Such comments or views will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with Section 4.9(b)(6)(ii) of the Commission's Rules of Practice (16 CFR 4.9(b)(6)(ii)).

In the Matter of: Lockheed Martin Corporation, a corporation. File No. 961-0026.

Agreement Containing Consent Order

The Federal Trade Commission ("Commission"), having initiated an investigation of the proposed acquisition by Lockheed Martin Corporation ("Lockheed Martin") of Loral Corporation ("Loral"), and it now appearing that Lockheed Martin, hereinafter sometimes referred to as "Proposed Respondent," is willing to enter into an agreement containing an order to divest assets, to refrain from certain acts and to provide for certain other relief:

It is hereby agreed by and between Proposed Respondent Lockheed Martin, by its duly authorized officers and attorneys, and counsel for the Commission that:

1. Proposed Respondent Lockheed Martin is a corporation organized, existing and doing business 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 20817.

2. Proposed Respondent admits all the jurisdictional facts set forth in the draft of complaint here attached.

3. Proposed Respondent waives:

- any further procedural steps;
- the requirement that the

Commission's decision contain a statement of findings of fact and conclusions of law;

- all rights to seek judicial review or otherwise to challenge or contest the validity of the order entered pursuant to this agreement; and

- any claim under the Equal Access to Justice Act.

4. Proposed Respondent shall submit within thirty (30) days of the date this agreement is signed by Proposed Respondent, an initial report, pursuant to Section 2.33 of the Commission's Rules, signed by Proposed Respondent setting forth in detail the manner in which the Proposed Respondent will comply with Paragraphs II. through XVI. of the order when and if entered. Such report will not become part of the public record unless and until the accompanying agreement and order are accepted by the Commission for public comment.

5. This agreement shall not become part of the public record of the proceeding unless and until it is accepted by the Commission. If this agreement is accepted by the Commission it, together with the draft of complaint contemplated thereby, will be placed on the public record for a period of sixty (60) days and information in respect thereto publicly released. The Commission thereafter may either

withdraw its acceptance of this agreement and so notify the Proposed Respondent, in which event it will take such action as it may consider appropriate, or issue and serve its complaint (in such form as the circumstances may require) and decision, in disposition of the proceeding.

6. This agreement is for settlement purposes only and does not constitute an admission by Proposed Respondent that the law has been violated as alleged in the draft of complaint here attached, or that the facts as alleged in the draft complaint, other than jurisdictional facts, are true.

7. This agreement contemplates that, if it is accepted by the Commission, and if such acceptance is not subsequently withdrawn by the Commission pursuant to the provisions of Section 2.34 of the Commission's Rules, the Commission may, without further notice to Proposed Respondent, (1) issue its complaint corresponding in form and substance with the draft of complaint here attached and its decision containing the following order to divest and refrain from certain acts in disposition of the proceeding, and (2) make information public with respect thereto. When so entered, the order shall have the same force and effect and may be altered, modified, or set aside in the same manner and within the same time provided by statute for other orders. The order shall become final upon service. Delivery by the U.S. Postal Service of the complaint and decision containing the agreed-to order to Proposed Respondent's address as stated in the agreement shall constitute service. Proposed Respondent waives any right it may have in any other manner of service. The complaint may be used in construing the terms of the order, and no agreement, understanding, representation or interpretation not contained in the order or the agreement may be used to vary or contradict the terms of the order.

8. Proposed Respondent has read the proposed complaint and order contemplated hereby. Proposed Respondent understands that once the order has been issued, it will be required to file one or more compliance reports showing that it has fully complied with the order. Proposed Respondent further understands it may be liable for civil penalties in the amount provided by law for each violation of the order after it becomes final.

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 10016; 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 10016, 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

20850, 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 19406, 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 10016, 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 94303, 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 20817, 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 non-compete 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 § 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 § 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 twenty (20) years from the date this order becomes final, except as otherwise provided in this order.

Appendix I

In the Matter of: Lockheed Martin Corporation, a corporation. File No. 961-0026.

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.

Analysis of Proposed Consent Order To Aid Public Comment

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an agreement containing a proposed Consent Order from Lockheed Martin Corporation ("Lockheed Martin"). The proposed Consent Order contains a number of

provisions designed to remedy the anticompetitive effects likely to result from Lockheed Martin's proposed acquisition of Loral Corporation ("Loral"). The proposed Consent Order requires Lockheed Martin to divest its operations used to perform systems engineering and technical assistance ("SETA") services for the Federal Aviation Administration ("FAA") under the National Implementation and Support Contract ("NISC Services Contract") within six months of the date Lockheed Martin signed the proposed Consent Order. The proposed Consent Order also prohibits Lockheed Martin's space business from providing technical services or information to Space Systems/Loral, a subsidiary of the newly created Loral Space and Communications Ltd. ("Loral Space"), pursuant to a technical services agreement between Lockheed Martin and Loral Space.

The proposed Consent Order further prohibits any Lockheed Martin board member or officer, who is also a board member or officer of Loral Space from: (1) participating in any matters involving Lockheed Martin's space business; (2) having access to any non-public information relating to Lockheed Martin's space business; or (3) providing any non-public information relating to Space Systems/Loral to Lockheed Martin. The proposed Consent Order would also prohibit Lockheed Martin from providing to such common board member or officer compensation that is based on the profitability or performance of Lockheed Martin's space business. Additionally, the proposed Consent Order would require Lockheed Martin to reduce its investment in Loral Space to 20% if, due to a repurchase by Loral Space of its outstanding common stock shares, or for any other reason, Lockheed Martin's interest in Loral Space is effectively raised above 20%. Finally, the proposed Consent Order prohibits Lockheed Martin's military aircraft and unmanned aerial vehicle divisions from gaining access to any non-public information that certain Lockheed Martin divisions will receive after the acquisition from competing military aircraft manufacturers or unmanned aerial vehicle manufacturers.

The proposed Consent Order has been placed on the public record for sixty (60) days for reception of comments by interested persons. Comments received during this period will become part of the public record. After sixty (60) days, the Commission will again review the agreement and any comments received and will decide whether it should withdraw from the agreement or make final the agreement's proposed Order.

Pursuant to a January 8, 1996 cash tender offer, Lockheed Martin agreed to acquire one hundred percent of the voting securities of Loral for approximately \$9.1 billion. As part of the transaction, Loral's space and telecommunications businesses, including its 33% ownership interest in Space Systems/Loral, a direct satellite competitor of Lockheed Martin, will be transferred to a new entity, Loral Space. In addition, Lockheed Martin will purchase a 20% convertible preferred stock interest in Loral Space which effectively amounts to a 6.6% interest in the competing Space Systems/Loral business. Lockheed Martin also agreed to provide Loral Space with technical support services, including research and development support, at cost upon request by Loral Space. Finally, Bernard Schwartz, Chairman of the Board of Directors and Chief Executive Officer of Loral Space, will be appointed to the position of Vice Chairman of the Board of Directors of Lockheed Martin.

The proposed Complaint alleges that the transaction, if consummated, would violate 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, in the following markets:

- (1) the research, development, manufacture and sale of air traffic control systems;
- (2) the research, development, manufacture and sale of commercial low earth orbit ("LEO") satellites;
- (3) the research, development, manufacture and sale of commercial geosynchronous earth orbit ("GEO") satellites;
- (4) the research, development, manufacture and sale of military aircraft; and
- (5) the research, development, manufacture and sale of unmanned aerial vehicles.

The proposed Consent Order would remedy the alleged violations in each market. First, Lockheed Martin is currently a supplier of SETA services to the FAA under the NISC Services Contract and Loral is the largest supplier of air traffic control systems to the FAA. In its capacity as an FAA SETA contractor, Lockheed Martin is responsible for, among other things, developing technical and other specifications for FAA procurements, assessing bid and other proposals submitted by companies competing for FAA procurements, testing and evaluating equipment and systems supplied to the FAA, and evaluating the cost and quality performance of FAA contractors. Following the acquisition, Lockheed Martin would be both an FAA

SETA contractor and the largest supplier of air traffic control systems to the FAA and would be in a position to gain access to its air traffic control systems competitors' competitively sensitive cost and design information and disadvantage its competitors and the FAA in a number of ways. For instance, with access to its competitors' cost and design information, Lockheed Martin would be able to raise its bid price for procurements of air traffic control systems if, based on this information, it determined that it was the low-cost supplier or that it had the superior technological approach. Moreover, access to its competitors' proprietary technical information could also allow Lockheed Martin to "free-ride" off its competitors' research and development efforts thereby reducing the incentive for those competitors to invest in future innovations. Finally, Lockheed Martin could disadvantage its competitors or raise their costs by setting unfair procurement specifications or submitting unfair proposal or performance evaluations.

The proposed Consent Order requires Lockheed Martin to divest all of the assets relating to the provision of FAA SETA services within six (6) months of the date it signed the proposed Consent Order. The proposed Consent Order states that this divestiture shall be to an acquirer or acquirers that receive the prior approval of the Commission. If Lockheed Martin fails to divest the assets within six (6) months, a trustee may be appointed to accomplish the divestiture. The proposed Consent Order also requires Lockheed Martin to provide technical assistance to the acquirer or acquirers for a period not greater than one (1) year, at the request of the acquirer or of the FAA. The purpose of the divestiture is to ensure the continued provision of FAA SETA services under the NISC Services Contract, to maintain the viability and marketability of the assets used to provide SETA services and to remedy the lessening of competition resulting from the acquisition in the market for the research, development, manufacture and sale of air traffic control systems. Recently, in *Litton Industries, Inc.*, File No. 961-0022 (accepted, subject to final approval, by the Commission on February 15, 1996 and awaiting public comments), the Commission voted unanimously to accept a Consent Order following an acquisition that raised similar competitive concerns. In that matter, the Consent Order required Litton, who is one of only two manufacturers of Aegis Destroyers, to divest assets used to provide Aegis

Destroyer SETA services in order to remedy the anticompetitive effects resulting from its acquisition of PRC Inc., a long-standing provider of SETA services to the U.S. Navy.

Second, after the transaction, Lockheed Martin and Loral Space, through its 33% ownership of Space Systems/Loral, will be two of the leading competitors in the markets for commercial LEO and commercial GEO satellites. These markets are highly concentrated and significant barriers to entry exist. Lockheed Martin has agreed to purchase a 20% convertible preferred stock interest in Loral Space which effectively amounts to a 6.6% interest in Space Systems/Loral. In addition, Lockheed Martin has agreed to provide technical assistance, including research and development support, at cost upon request from Loral Space. Finally, Bernard Schwartz, Chairman of the Board of Directors and Chief Executive Officer of Loral Space, will be appointed to the position of Vice Chairman of the Board of Directors of Lockheed Martin.

The acquisition as structured is likely to lead to anticompetitive effects in the commercial LEO and GEO satellite markets. The technical services agreement creates an ongoing relationship between Lockheed Martin and Loral Space which could be used as a mechanism for Lockheed Martin to monitor Loral Space's competitive activities or as a signaling device for Loral Space to alert Lockheed Martin as to the satellite procurements where it expects to submit a bid. As such, the agreement could facilitate coordinated interaction between the companies.

The technical services agreement would also likely reduce Loral Space's incentives to invest in commercial LEO and GEO satellite research and development. If, pursuant to the technical services agreement, Loral Space would be able to obtain proven technologies from Lockheed Martin at cost, it would have little incentive to undertake expensive and risky investment in commercial LEO and GEO satellite research and development. Thus, the agreement would likely lead to a reduction in innovation competition between the companies. Because the technical services agreement between Lockheed Martin and Loral Space, two of the leading competitors in the highly concentrated commercial LEO and GEO satellite markets, creates the potential for the exchange of competitively sensitive information and could lead to a reduction in Loral Space's incentives to innovate, the agreement is likely to result in anticompetitive effects.

Mr. Schwartz's service as an officer or director of competing companies does not violate Section 8 of the Clayton Act because Lockheed Martin's sales in competition with Loral Space are less than 2% of Lockheed Martin's total sales. For this reason, Lockheed Martin meets the Section 8(a)(2)(B) *de minimus* exception to the statute. Nevertheless, Mr. Schwartz's positions with each company still raise significant competitive concerns. For example, by serving on the boards of both companies, Mr. Schwartz would have access to competitively sensitive information from Lockheed Martin and Loral Space, including information on bid strategies, pricing, and research and development plans. In addition, Lockheed Martin would be in a position to use Mr. Schwartz to exercise influence over Loral Space, thereby reducing head-to-head competition between the companies. Lockheed Martin could also offer Mr. Schwartz compensation based on the profitability of Lockheed Martin's space business, thereby reducing his incentive to aggressively compete Loral Space against Lockheed Martin.

In order to remedy the acquisition's anticompetitive effects in the commercial LEO and commercial GEO satellite markets, the proposed Consent Order prohibits Lockheed Martin's space business from providing technical services, personnel, information or facilities, pursuant to the technical services agreement, to Space Systems/Loral. The proposed Consent Order would also prohibit any person who is simultaneously a board member or officer of Lockheed Martin and a board member or officer of Loral Space, including Mr. Schwartz, from: (1) participating in any matters involving Lockheed Martin's space business; (2) having access to any non-public information relating to Lockheed Martin's space business; or (3) providing any non-public information relating to Space Systems/Loral to Lockheed Martin. Further, the proposed Consent Order would prohibit Lockheed Martin from providing to any such common board member or officer compensation that is based on the profitability or performance of Lockheed Martin's space business. Additionally, if Lockheed Martin's interest in Loral Space is effectively raised above 20% due to a stock repurchase by Loral Space, or for any other reason, the proposed Consent Order would require Lockheed Martin to reduce its investment in Loral Space back down to 20%.

Third, Lockheed Martin is a significant competitor in the research, development, manufacture and sale of

military aircraft and Loral is the sole supplier of a number of critical systems used on or with military aircraft, including simulation and training systems, the NITE Hawk forward-looking infrared targeting system, electronic countermeasures and mission computers. Following the acquisition, Lockheed Martin would be the sole source supplier for a number of these systems, as well as a competitor in the military aircraft market. In order to integrate or interface these critical systems with a military aircraft, a military aircraft manufacturer will have to provide a wide range of competitively sensitive proprietary information to the Lockheed Martin divisions that manufacture these systems. As a result, the proposed acquisition increases the likelihood that competition between military aircraft suppliers would decrease because Lockheed Martin's military aircraft division could gain access to its competitors' proprietary information, which could affect the prices and services that Lockheed Martin would offer. In addition, advancements in military aircraft research, innovation and quality would be reduced because Lockheed Martin's military aircraft competitors would fear that Lockheed Martin could "free ride" off of their technological developments.

To remedy the proposed acquisition's likely anticompetitive effects in the military aircraft market, the proposed Consent Order preserves the confidentiality of military aircraft suppliers' proprietary information by prohibiting Lockheed Martin's divisions that provide these critical systems from making any proprietary information from competing aircraft manufacturers available to Lockheed Martin's aircraft division. Under the proposed Consent Order, Lockheed Martin may only use such information in its capacity as a provider of these military aircraft systems. Non-public information in this context includes any information not in the public domain that is designated as proprietary information by any military aircraft manufacturer that provides such information to Lockheed Martin as well as information not in the public domain provided by any military aircraft manufacturer to Loral prior to the acquisition. The purpose of the proposed Consent Order is to preserve the opportunity for full competition in the market for the research, development, manufacture and sale of military aircraft. The Commission has issued similar orders limiting potentially anticompetitive information transfers following mergers or acquisitions, including *Martin Marietta*

Corp., (C3500) (June 28, 1994), *Alliant Techsystems Inc.*, (C3567) (April 7, 1995), and *Lockheed Martin Corp.*, (C3576) (May 9, 1995). Industry participants have indicated that these prior orders have been effective in protecting their confidential information and preserving competition. In addition, the Department of Defense has stated that the proposed Consent Order resolves all of the competitive issues that they have identified.

Finally, Lockheed Martin is a significant competitor in the market for the research, development, manufacture and sale of unmanned aerial vehicles and Loral is the sole supplier of integrated communications systems, a critical unmanned aerial vehicle component. After the acquisition, Lockheed Martin would be the sole supplier of integrated communications systems for unmanned aerial vehicles and also a competitor in the unmanned aerial vehicle market. Because unmanned aerial vehicle manufacturers will have to provide proprietary information to the Lockheed Martin division that manufactures integrated communication systems, Lockheed Martin's military aircraft division, which manufactures unmanned aerial vehicles, could gain access to competitively sensitive non-public information relating to competing unmanned aerial vehicles. As a result, the proposed acquisition increases the likelihood that competition between unmanned aerial vehicle suppliers would decrease because Lockheed Martin would have access to its competitors' proprietary information, which could affect the prices and services that Lockheed Martin would offer. In addition, advancements in unmanned aerial vehicle research, innovation and quality would be reduced because Lockheed Martin's unmanned aerial vehicle competitors would fear that Lockheed Martin could "free ride" off of their technological developments.

To remedy the proposed acquisition's likely anticompetitive effects in the unmanned aerial vehicle market, the proposed Consent Order preserves the confidentiality of unmanned aerial vehicle suppliers' proprietary information by prohibiting Lockheed Martin's communications systems divisions from making any proprietary information from competing unmanned aerial vehicle manufacturers available to Lockheed Martin's military aircraft division. Under the proposed Consent Order, Lockheed Martin may only use such information in its capacity as a provider of integrated communications systems. Non-public information in this

context includes any information not in the public domain that is designated as proprietary information by any unmanned aerial vehicle manufacturer that provides such information to Lockheed Martin as well as information not in the public domain provided by any unmanned aerial vehicle manufacturer to Loral prior to the acquisition. The purpose of the proposed Consent Order is to preserve the opportunity for full competition in the market for the research, development, manufacture and sale of unmanned aerial vehicles.

Under the provisions of the proposed Consent Order, Lockheed Martin is required to deliver a copy of the Order to any United States military aircraft manufacturer and to any United States unmanned aerial vehicle manufacturer prior to obtaining any information from them that is outside the public domain. The Order also requires Lockheed Martin to provide the Commission a report of compliance with the provisions of the Order relating to its divestiture of its FAA SETA services assets within forty-five (45) days following the date the Order becomes final, and every forty-five (45) days thereafter until it has completed the required divestiture of its FAA SETA services assets. In addition, the Order also requires Lockheed Martin to provide the Commission a report of compliance with all other provisions of the Order within sixty (60) days following the date the Order becomes final, and annually for the next (10) years on the anniversary of the date the Order becomes final.

In order to preserve competition in the relevant markets during the period prior to the final acceptance of the proposed Consent Order (after the 60-day public notice period), Lockheed Martin has entered into an Interim Agreement with the Commission in which it has agreed to be bound by the proposed Consent Order as of the date the Commission accepted the proposed Consent Order subject to final approval.

The purpose of this analysis is to facilitate public comment on the proposed Consent Order, and it is not intended to constitute an official interpretation of the agreement and proposed Consent Order or to modify in any way their terms.

Donald S. Clark,

Secretary.

[FR Doc. 96-10560 Filed 4-26-96; 8:45 am]

BILLING CODE 6750-01-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Agency for Health Care Policy and Research

Notice of Filing of Annual Reports of Federal Advisory Committees

Notice is hereby given that, pursuant to Section 13 of the Federal Advisory Committee Act (5 U.S.C. App. 2), the Annual Reports prepared for the public by the committees set forth below have been filed with the Library of Congress: Health Care Policy and Research Special Emphasis Panel
Health Care Technology Study Section
Health Services Research and Developmental Grants Review Committee
Health Services Research Dissemination Study Section
National Advisory Council for Health Care Policy, Research, and Evaluation

Copies of these reports, prepared in accordance with Section 10(d) of the Federal Advisory Committee Act, are available to the public for inspection at: (1) The Library of Congress, Special Forms Reading Room, Main Building, on weekdays between 9:00 a.m. and 4:30 p.m.; and (2) the Information Resource Center, Agency for Health Care Policy and Research, Suite 501, 2101 East Jefferson Street, Rockville, Maryland, on weekdays between 9:00 a.m. and 4:30 p.m.

Copies may be obtained by mail request from the Committee Management Officer, Agency for Health Care Policy and Research, Suite 309, 6000 Executive Boulevard, Rockville, Maryland 20852.

Dated: April 17, 1996.

Clifton R. Gaus,

Administrator.

[FR Doc. 96-10486 Filed 4-26-96; 8:45 am]

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Agency for Toxic Substances and Disease Registry

[ATSDR-112]

Quarterly Public Health Assessments Completed

AGENCY: Agency for Toxic Substances and Disease Registry (ATSDR), Department of Health and Human Services (HHS).

ACTION: Notice.

SUMMARY: This notice is a quarterly announcement which contains the following: A list of sites for which ATSDR has completed public health assessments, or issued an addendum to